

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 1, 2019

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**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Board of Education
Coventry Local School District
Coventry, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Coventry Local School District as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also, the District restated net position at June 30, 2017 for the private purpose trust funds. As described in Note 24 to the basic financial statements, the District was declared into fiscal emergency by the Auditor of State. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles,

and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

February 21, 2019

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Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of Coventry Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- The increase in net position was mainly due to a decrease in the net pension liability. The large decrease in the net pension liability was a result of changes in assumptions and benefits terms. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption.
- As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating governmental activities net position at June 30, 2017, from (\$17,996,512) to (\$24,986,539).
- Long-term liabilities due within one year and other amounts due in more than one year decreased, because the School District finished repaying the solvency assistance note during fiscal year 2018.

Using this Annual Financial Report

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

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Coventry Local School District, the general fund and the bond retirement fund by far are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Coventry Local School District
Management's Discussion and Analysis
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These two statements report the School District's net position and changes in that net position. This change in net position 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 performance, demographic and socioeconomic factors and the willingness of the community to support the School District.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, non-instructional services, extracurricular activities, and interest and fiscal charges.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$19,511,903	\$19,873,077	(\$361,174)
Capital Assets, Net	39,144,629	41,335,182	(2,190,553)
<i>Total Assets</i>	<u>58,656,532</u>	<u>61,208,259</u>	<u>(2,551,727)</u>
Deferred Outflows of Resources			
Pension	7,103,240	6,215,905	887,335
OPEB	241,564	44,208	197,356
<i>Total Deferred Outflows of Resources</i>	<u>7,344,804</u>	<u>6,260,113</u>	<u>1,084,691</u>
Liabilities			
Current Liabilities	3,395,120	3,275,818	(119,302)
Long-Term Liabilities:			
Due Within One Year	387,995	2,677,550	2,289,555
Due in More Than One Year:			
Net Pension Liability	24,232,309	34,932,268	10,699,959
Net OPEB Liability	5,387,281	7,034,235	1,646,954
Other Amounts	32,347,904	32,817,328	469,424
<i>Total Liabilities</i>	<u>65,750,609</u>	<u>80,737,199</u>	<u>14,986,590</u>
Deferred Inflows of Resources			
Property Taxes	11,213,645	10,906,854	(306,791)
Pension	2,580,600	810,858	(1,769,742)
OPEB	883,646	0	(883,646)
<i>Total Deferred Inflows of Resources</i>	<u>14,677,891</u>	<u>11,717,712</u>	<u>(2,960,179)</u>
Net Position			
Net Investment in Capital Assets	8,723,953	9,435,990	(712,037)
Restricted	2,276,505	3,912,067	(1,635,562)
Unrestricted (Deficit)	(25,427,622)	(38,334,596)	12,906,974
<i>Total Net Position</i>	<u>(\$14,427,164)</u>	<u>(\$24,986,539)</u>	<u>\$10,559,375</u>

The net pension liability is one of the largest single liabilities reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. For fiscal year 2018, the School District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Coventry Local School District
Management's Discussion and Analysis
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plans *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained previously, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Coventry Local School District
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As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating governmental activities net position at June 30, 2017, from (\$17,996,512) to (\$24,986,539).

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources, one can see the overall position of the School District has improved as evidenced by the increase in net position. Unrestricted net position contributed to this increase as a result of the decrease in the net pension liability.

Total assets decreased during fiscal year 2018. Most of this decrease can be attributed to the decrease in capital assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles, and total capital assets decreased as the School District had fewer additions to capital assets than in the prior fiscal year. The decrease in capital assets also caused a decrease in the net investment in capital assets. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total governmental liabilities decreased significantly during fiscal year 2018. This decrease was primarily due to a decrease in the net pension liability. The large decrease in the net pension liability was a result of changes in assumptions and benefits terms. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. Long-term liabilities due within one year and other amounts due in more than one year also decreased, because the School District finished repaying the solvency assistance note during fiscal year 2018.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives further details regarding the results of activities for the current fiscal year.

Table 2 shows total revenues, expenses and changes in net position for fiscal years 2018 and 2017:

Table 2
Change in Net Position
Governmental Activities

	2018	2017	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$5,510,593	\$6,023,017	(\$512,424)
Operating Grants and Contributions	2,110,176	2,293,189	(183,013)
Capital Grants and Contributions	52,605	0	52,605
<i>Total Program Revenues</i>	\$7,673,374	\$8,316,206	(\$642,832)

(continued)

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
 Change in Net Position
 Governmental Activities

	2018	2017	Change
Revenues (continued)			
<i>General Revenues</i>			
Property Taxes	\$12,362,884	\$11,123,365	\$1,239,519
Grants and Entitlements	5,830,030	5,843,538	(13,508)
Unrestricted Contributions	43,000	0	43,000
Investment Earnings	1,404	0	1,404
Miscellaneous	154,900	137,008	17,892
<i>Total General Revenues</i>	<u>18,392,218</u>	<u>17,103,911</u>	<u>1,288,307</u>
Total Revenues	<u>26,065,592</u>	<u>25,420,117</u>	<u>645,475</u>
<i>Program Expenses</i>			
Instruction:			
Regular	5,131,805	12,165,962	7,034,157
Special	1,632,272	2,767,743	1,135,471
Vocational	10,007	89,411	79,404
Support Services:			
Pupils	535,348	1,151,811	616,463
Instructional Staff	94,873	217,284	122,411
Board of Education	86,444	99,612	13,168
Administration	662,631	1,588,771	926,140
Fiscal	584,998	509,030	(75,968)
Business	63,668	50,779	(12,889)
Operation and Maintenance of Plant	1,531,364	1,965,767	434,403
Pupil Transportation	1,225,051	1,232,714	7,663
Central	497,420	680,143	182,723
Operation of Non-Instructional Services:			
Food Service Operations	566,157	670,311	104,154
Community Services	218,655	371,586	152,931
Other	245,307	321,718	76,411
Extracurricular Activities	319,109	551,482	232,373
Intergovernmental	561,851	0	(561,851)
Interest and Fiscal Charges	1,539,257	1,533,483	(5,774)
<i>Total Program Expenses</i>	<u>15,506,217</u>	<u>25,967,607</u>	<u>10,461,390</u>
Change in Net Position	10,559,375	(547,490)	11,106,865
Net Position Beginning of Year	<u>(24,986,539)</u>	N/A	
Net Position End of Year	<u>(\$14,427,164)</u>	<u>(\$24,986,539)</u>	<u>\$10,559,375</u>

Coventry Local School District
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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$44,208 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of the OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$902,992. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$15,506,217
Negative OPEB expense under GASB 75	902,992
2018 contractually required contribution	<u>57,672</u>
Adjusted 2018 program expenses	16,466,881
Total 2017 program expenses under GASB 45	<u>25,967,607</u>
Decrease in program expenses not related to OPEB	<u><u>(\$9,500,726)</u></u>

Governmental Activities

The largest component of the decrease in program expenses results from changes in assumptions and benefits terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption (see Note 22). As a result of these changes, pension expense decreased from \$2,533,820 in fiscal year 2017 to a negative pension expense of \$8,201,291 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$5,769,234)
Special	(778,597)
Vocational	(48,232)
Support Services:	
Pupils	(456,595)
Instructional Staff	(70,753)
Administration	(627,138)
Fiscal	(19,471)
Operation and Maintenance of Plant	(112,210)
Pupil Transportation	(55,048)
Central	(53,155)
Operation of Non-Instructional Services:	
Food Service Operations	(25,998)
Community Services	(30,584)
Other	(23,033)
Extracurricular Activities	<u>(131,243)</u>
Total Expenses	<u><u>(\$8,201,291)</u></u>

Coventry Local School District
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Unaudited

The vast majority of revenue supporting all governmental activities is general revenue. General revenue increased from the prior fiscal year mostly due to the increase in property tax revenue. The increase in property tax revenue is primarily related to fiscal year 2017's decrease in the amount available as an advance from the County related to property taxes. Because of this, a higher amount of fiscal year 2017 property tax collections was recognized as revenue in fiscal year 2016. Fiscal year 2018's modest increase in cash basis property tax collections also contributed to the overall increase in property tax revenue. The remaining amount of revenue received was in the form of program revenues.

The School District carefully tracks its revenues and expenses in order to avoid creating a deficit. Although the School District relies heavily upon local property taxes to support its operations, the School District relies upon and actively solicits and receives additional grant and entitlement funding to help offset some operating costs.

As one can see, some of the largest of the School District's expenses are for instructional purposes. Additional expenses include support services, such as pupils, instructional staff, general administration, maintenance, and pupil transportation; operation of non-instruction services; numerous extracurricular activities; intergovernmental; and interest and fiscal charges.

Charges for services decreased mostly due to a decrease in open enrollment.

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

Table 3
 Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction:				
Regular	\$5,131,805	\$360,106	\$12,165,962	\$7,177,191
Special	1,632,272	(26,780)	2,767,743	810,850
Vocational	10,007	(1,650)	89,411	89,411
Support Services:				
Pupils	535,348	517,191	1,151,811	1,105,006
Instructional Staff	94,873	71,944	217,284	184,717
Board of Education	86,444	86,444	99,612	99,612
Administration	662,631	658,858	1,588,771	1,586,523
Fiscal	584,998	576,314	509,030	509,030
Business	63,668	63,668	50,779	50,779
Operation and Maintenance of Plant	1,531,364	1,497,875	1,965,767	1,939,921
Pupil Transportation	1,225,051	1,120,168	1,232,714	1,127,516
Central	497,420	492,020	680,143	674,743
Operation of Non-Instructional Services:				
Food Service Operations	566,157	(104,277)	670,311	(72,376)
Community Services	218,655	32,554	371,586	105,508
Other	245,307	245,307	321,718	321,718
Extracurricular Activities	319,109	141,993	551,482	407,769
Intergovernmental	561,851	561,851	0	0
Interest and Fiscal Charges	1,539,257	1,539,257	1,533,483	1,533,483
Total Expenses	\$15,506,217	\$7,832,843	\$25,967,607	\$17,651,401

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. The majority of expenses are supported through general revenues, with property taxes making up the largest portion of general revenues. The community is by far the primary support for the School District students.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 18. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had a decrease in fund balance due to a decrease in revenues from the prior fiscal year, despite a larger decrease in expenditures. The decrease in revenues was mainly due to a decrease in intergovernmental revenue, and the decrease in expenditures was due to a large decrease in capital outlay. Both the change in intergovernmental revenue and the change in capital outlay were related to the completion of the new high school in the prior fiscal year.

The fiscal year-end fund balance for the general fund saw a decrease from the prior fiscal year's ending balance. This decrease was due to an increase in expenditures related to instruction mainly due to an increase in purchased services.

The bond retirement fund saw a slight decrease in fund balance from the prior fiscal year despite revenues increasing from the prior fiscal year and expenditures remaining comparable to the prior fiscal year. The increase in revenues was due to an increase in property taxes. The increase in property tax revenue is primarily related to fiscal year 2017's decrease in the amount available as an advance from the County related to property taxes. Because of this, a higher amount of fiscal year 2017 property tax collections was recognized as revenue in fiscal year 2016.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its general fund budgets several times. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenditures but provide flexibility for site-based decision and management.

For the general fund, the final budget basis revenue and other financing sources estimates increased from the original budget basis revenue and other financing sources estimates. Actual revenues and other financing sources were higher than final budgeted revenues and other financing sources due to conservative budgeting. The final budgeted expenditures and other financing uses were slightly higher than the original budgeted expenditures and other financing uses. Actual expenditures and other financing uses were higher than final budgeted expenditures and other financing uses due to higher than expected regular and special instruction expenditures.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land, are reported net of depreciation. Capital asset additions were much lower during fiscal year 2018 and mainly consisted of bleachers, a scoreboard, and technological equipment. For more information on capital assets refer to Note 9 of the basic financial statements.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Debt

During the fiscal year, outstanding debt decreased as the School District continued to make required debt payments, completely repaying the solvency assistance note during fiscal year 2018.

The 2011 certificates of participation (COPS) were issued for building and property renovations. The COPS will be fully repaid in fiscal year 2029.

The 2013 school improvement general obligation bonds were issued for the School District's local share of the construction of a new high school, as well as furnishing, equipping and otherwise improving School District buildings and facilities. The bonds will be fully repaid in fiscal year 2048.

The energy conservation loan was issued in fiscal year 2005 for the purpose of making energy improvements to various school buildings in the School District. The loan will be fully repaid in fiscal year 2021.

The solvency assistance long-term note payable was used to repay the Stark County Schools Council of Governments Health Benefit Plan for health insurance premiums and operating income. The loan was fully repaid during fiscal year 2018.

The School District's overall legal debt margin was \$294,082 with an unvoted debt margin of \$308,719. The School District maintains a Ba2 bond rating. For more information on debt, refer to Note 11 of the basic financial statements.

In addition to the long-term debt, the School District's long-term obligations include capital leases, compensated absences, net pension liability, and net OPEB liability. Additional information for these items can be found in Notes 10, 11, 22, and 23, respectively.

School District Outlook

In fiscal year 1997 the School District was declared by the Auditor of State to be in a state of "fiscal watch". The School District was required to submit and update a financial recovery plan each year with the State superintendent of public instruction. However, the School District Board of Education passed a resolution on October 26, 2015, that stated their inability to adopt a financial recovery plan that would eliminate the projected current year deficit. On December 4, 2015, the Auditor of State declared the School District to be in a state of "fiscal emergency".

A Financial Planning and Supervision Commission was created to assume all or part of the powers of the Board of Education. The School District's Financial Recovery Plan was adopted by the Financial Planning and Supervision Commission on May 9, 2016, and approved by the Ohio Superintendent of Public Instruction on May 23, 2016.

The Auditor of State serves as an advisor to commissions for all school districts in fiscal emergency. In this role, the office provides accounting training and assistance, as well as monthly monitoring of the School District's financial activity to ensure compliance with the recovery plan and various accounting rules and reports.

On November 7, 2017, School District voters approved a renewal operating levy that generates over \$2 million annually. The School District, operating within the Financial Recovery Plan, ended with a substantial positive general fund ending cash balance in fiscal years 2016, 2017, and 2018.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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 Sherry Tyson, Treasurer, at Coventry Local School District, 3257 Cormany Drive, Akron, Ohio 44319-1425, or email at styson@coventryschools.org.

Coventry Local School District

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,727,064
Accounts Receivable	9,267
Intergovernmental Receivable	763,384
Prepaid Items	17,421
Property Taxes Receivable	12,994,767
Nondepreciable Capital Assets	419,076
Depreciable Capital Assets, Net	<u>38,725,553</u>
<i>Total Assets</i>	<u>58,656,532</u>
Deferred Outflows of Resources	
Pension	7,103,240
OPEB	<u>241,564</u>
<i>Total Deferred Outflows of Resources</i>	<u>7,344,804</u>
Liabilities	
Accounts Payable	166,606
Accrued Wages and Benefits	1,819,543
Contracts Payable	20,533
Intergovernmental Payable	1,117,997
Vacation Benefits Payable	7,058
Accrued Interest Payable	263,383
Long-Term Liabilities:	
Due Within One Year	387,995
Due in More Than One Year:	
Net Pension Liability (See Note 22)	24,232,309
Net OPEB Liability (See Note 23)	5,387,281
Other Amounts Due in More Than One Year	<u>32,347,904</u>
<i>Total Liabilities</i>	<u>65,750,609</u>
Deferred Inflows of Resources	
Property Taxes	11,213,645
Pension	2,580,600
OPEB	<u>883,646</u>
<i>Total Deferred Inflows of Resources</i>	<u>14,677,891</u>
Net Position	
Net Investment in Capital Assets	8,723,953
Restricted for:	
Capital Outlay	1,220,004
Food Service Operations	567,692
Facilities Maintenance	206,434
Student Activities	147,754
Other Purposes	134,621
Unrestricted (Deficit)	<u>(25,427,622)</u>
<i>Total Net Position</i>	<u>(\$14,427,164)</u>

See accompanying notes to the basic financial statements

Coventry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction:					
Regular	\$5,131,805	\$4,700,677	\$59,022	\$12,000	(\$360,106)
Special	1,632,272	456,671	1,202,381	0	26,780
Vocational	10,007	0	11,657	0	1,650
Support Services:					
Pupils	535,348	0	18,157	0	(517,191)
Instructional Staff	94,873	0	22,929	0	(71,944)
Board of Education	86,444	0	0	0	(86,444)
Administration	662,631	0	3,773	0	(658,858)
Fiscal	584,998	0	8,684	0	(576,314)
Business	63,668	0	0	0	(63,668)
Operation and Maintenance of Plant	1,531,364	26,034	0	7,455	(1,497,875)
Pupil Transportation	1,225,051	0	104,883	0	(1,120,168)
Central	497,420	0	5,400	0	(492,020)
Operation of Non-Instructional Services:					
Food Service Operations	566,157	191,499	478,935	0	104,277
Community Services	218,655	0	186,101	0	(32,554)
Other	245,307	0	0	0	(245,307)
Extracurricular Activities	319,109	135,712	8,254	33,150	(141,993)
Intergovernmental	561,851	0	0	0	(561,851)
Interest and Fiscal Charges	1,539,257	0	0	0	(1,539,257)
<i>Total</i>	<u>\$15,506,217</u>	<u>\$5,510,593</u>	<u>\$2,110,176</u>	<u>\$52,605</u>	<u>(7,832,843)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					10,827,555
Debt Service					1,256,451
Capital Outlay					219,470
Classroom Facilities Maintenance					59,408
Grants and Entitlements not Restricted					
to Specific Programs					5,830,030
Unrestricted Contributions					43,000
Investment Earnings					1,404
Miscellaneous					154,900
<i>Total General Revenues</i>					<u>18,392,218</u>
Change in Net Position					10,559,375
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					<u>(24,986,539)</u>
<i>Net Position End of Year</i>					<u>(\$14,427,164)</u>

See accompanying notes to the basic financial statements

Coventry Local School District

Balance Sheet

Governmental Funds

June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,938,002	\$682,774	\$3,106,288	\$5,727,064
Accounts Receivable	9,167	0	100	9,267
Interfund Receivable	244,485	0	0	244,485
Intergovernmental Receivable	559,187	0	204,197	763,384
Property Taxes Receivable	11,382,768	1,320,477	291,522	12,994,767
Prepaid Items	17,421	0	0	17,421
<i>Total Assets</i>	<u>\$14,151,030</u>	<u>\$2,003,251</u>	<u>\$3,602,107</u>	<u>\$19,756,388</u>
Liabilities				
Accounts Payable	\$122,211	\$0	\$44,395	\$166,606
Accrued Wages and Benefits	1,685,307	0	134,236	1,819,543
Contracts Payable	6,200	0	14,333	20,533
Intergovernmental Payable	499,372	0	618,625	1,117,997
Interfund Payable	0	0	244,485	244,485
<i>Total Liabilities</i>	<u>2,313,090</u>	<u>0</u>	<u>1,056,074</u>	<u>3,369,164</u>
Deferred Inflows of Resources				
Property Taxes	9,831,595	1,131,940	250,110	11,213,645
Unavailable Revenue	936,186	68,552	174,131	1,178,869
<i>Total Deferred Inflows of Resources</i>	<u>10,767,781</u>	<u>1,200,492</u>	<u>424,241</u>	<u>12,392,514</u>
Fund Balances				
Nonspendable	17,421	0	0	17,421
Restricted	0	802,759	2,245,505	3,048,264
Committed	144,113	0	0	144,113
Assigned	59,845	0	0	59,845
Unassigned (Deficit)	848,780	0	(123,713)	725,067
<i>Total Fund Balances</i>	<u>1,070,159</u>	<u>802,759</u>	<u>2,121,792</u>	<u>3,994,710</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$14,151,030</u>	<u>\$2,003,251</u>	<u>\$3,602,107</u>	<u>\$19,756,388</u>

See accompanying notes to the basic financial statements

Coventry Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018*

Total Governmental Fund Balances	\$3,994,710
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*Amounts reported for governmental activities in the
statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,144,629
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	649,695
Intergovernmental	172,026
Tuition and Fees	357,148
Total	1,178,869

Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(7,058)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due.	(263,383)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Certificates of Participation	(1,090,000)
General Obligation Bonds	(29,120,106)
Loans Payable	(181,807)
Capital Leases	(1,016,897)
Compensated Absences	(1,327,089)
Total	(32,735,899)

The net pension and net OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds:	
Deferred Outflows - Pension	7,103,240
Deferred Outflows - OPEB	241,564
Net Pension Liability	(24,232,309)
Net OPEB Liability	(5,387,281)
Deferred Inflows - Pension	(2,580,600)
Deferred Inflows - OPEB	(883,646)
Total	(25,739,032)

<i>Net Position of Governmental Activities</i>	<u><u>(\$14,427,164)</u></u>
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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, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$10,886,631	\$1,263,168	\$280,698	\$12,430,497
Intergovernmental	6,289,123	183,870	1,695,926	8,168,919
Interest	1,404	0	0	1,404
Tuition and Fees	5,156,153	0	0	5,156,153
Extracurricular Activities	25,357	0	133,699	159,056
Rentals	87,467	0	0	87,467
Charges for Services	0	0	191,499	191,499
Contributions and Donations	43,000	0	44,141	87,141
Miscellaneous	109,289	0	45,611	154,900
<i>Total Revenues</i>	<u>22,598,424</u>	<u>1,447,038</u>	<u>2,391,574</u>	<u>26,437,036</u>
Expenditures				
Current:				
Instruction:				
Regular	10,399,824	0	71,478	10,471,302
Special	1,952,665	0	690,402	2,643,067
Vocational	72,731	0	0	72,731
Support Services:				
Pupils	1,128,512	0	20,143	1,148,655
Instructional Staff	157,303	0	26,413	183,716
Board of Education	86,444	0	0	86,444
Administration	1,539,597	0	4,186	1,543,783
Fiscal	570,898	28,704	30,042	629,644
Business	63,668	0	0	63,668
Operation and Maintenance of Plant	1,716,082	0	54,610	1,770,692
Pupil Transportation	1,306,843	0	77	1,306,920
Central	570,976	0	0	570,976
Operation of Non-Instructional Services:				
Food Service Operations	0	0	600,386	600,386
Community Services	0	0	250,811	250,811
Other	298,385	0	0	298,385
Extracurricular Activities	325,731	0	138,670	464,401
Capital Outlay	0	0	3,922	3,922
Intergovernmental	0	0	561,851	561,851
Debt Service:				
Principal Retirement	2,547,437	5,000	105,450	2,657,887
Interest and Fiscal Charges	85,691	1,424,400	63,881	1,573,972
<i>Total Expenditures</i>	<u>22,822,787</u>	<u>1,458,104</u>	<u>2,622,322</u>	<u>26,903,213</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(224,363)</u>	<u>(11,066)</u>	<u>(230,748)</u>	<u>(466,177)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	7,000	0	0	7,000
Transfers In	150,925	0	133,251	284,176
Transfers Out	(133,251)	0	(150,925)	(284,176)
<i>Total Other Financing Sources (Uses)</i>	<u>24,674</u>	<u>0</u>	<u>(17,674)</u>	<u>7,000</u>
<i>Net Change in Fund Balances</i>	<u>(199,689)</u>	<u>(11,066)</u>	<u>(248,422)</u>	<u>(459,177)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,269,848</u>	<u>813,825</u>	<u>2,370,214</u>	<u>4,453,887</u>
<i>Fund Balances End of Year</i>	<u>\$1,070,159</u>	<u>\$802,759</u>	<u>\$2,121,792</u>	<u>\$3,994,710</u>

See accompanying notes to the basic financial statements

Coventry Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds (\$459,177)

*Amounts reported for governmental activities in the
statement of activities are different because:*

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 depreciation exceeded capital outlay in the current period:

Capital Outlay	94,477	
Current Year Depreciation	(2,025,030)	
Total		(1,930,553)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (260,000)

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

Delinquent Property Taxes	(67,613)	
Intergovernmental	(220,249)	
Tuition and Fees	(83,582)	
Total		(371,444)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,657,887

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

Accrued Interest	22,752	
Accretion	(14,932)	
Amortization of Premium	26,895	
Total		34,715

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

Vacation Benefits	20,602	
Compensated Absences	89,129	
Total		109,731

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	1,616,261	
OPEB	57,672	
Total		1,673,933

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	8,201,291	
OPEB	902,992	
Total		9,104,283

Change in Net Position of Governmental Activities \$10,559,375

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$10,665,403	\$10,997,949	\$11,012,226	\$14,277
Intergovernmental	6,383,172	6,215,344	6,403,829	188,485
Interest	1,414	1,365	1,404	39
Tuition and Fees	4,866,466	4,697,194	4,961,318	264,124
Extracurricular Activities	2,027	1,957	2,013	56
Rentals	26,034	26,034	26,034	0
Contributions and Donations	43,000	43,000	43,000	0
Miscellaneous	105,620	96,118	103,874	7,756
<i>Total Revenues</i>	22,093,136	22,078,961	22,553,698	474,737
Expenditures				
Current:				
Instruction:				
Regular	10,139,107	10,165,903	10,278,732	(112,829)
Special	1,915,981	1,921,045	1,966,241	(45,196)
Vocational	75,536	75,735	75,569	166
Support Services:				
Pupils	1,179,979	1,183,098	1,180,499	2,599
Instructional Staff	159,141	159,561	159,211	350
Board of Education	101,810	102,079	101,855	224
Administration	1,542,591	1,546,667	1,543,270	3,397
Fiscal	573,564	575,080	573,817	1,263
Business	63,640	63,808	63,668	140
Operation and Maintenance of Plant	1,804,161	1,808,928	1,804,955	3,973
Pupil Transportation	1,313,633	1,317,104	1,314,211	2,893
Central	564,523	566,015	564,772	1,243
Operation of Non-Instructional Services:				
Other	313,519	314,347	313,657	690
Extracurricular Activities	339,967	340,865	340,116	749
Debt Service:				
Principal Retirement	2,546,316	2,553,045	2,547,437	5,608
Interest and Fiscal Charges	85,653	85,880	85,691	189
<i>Total Expenditures</i>	22,719,121	22,779,160	22,913,701	(134,541)
<i>Excess of Revenues Under Expenditures</i>	(625,985)	(700,199)	(360,003)	340,196
Other Financing Sources (Uses)				
Sale of Capital Assets	7,000	7,000	7,000	0
Transfers In	0	146,721	150,925	4,204
Advances Out	(244,377)	(244,485)	(244,485)	0
Transfers Out	(133,192)	(133,544)	(133,251)	293
<i>Total Other Financing Sources (Uses)</i>	(370,569)	(224,308)	(219,811)	4,497
<i>Net Change in Fund Balance</i>	(996,554)	(924,507)	(579,814)	344,693
<i>Fund Balance Beginning of Year</i>	2,037,523	2,037,523	2,037,523	0
Prior Year Encumbrances Appropriated	40,764	40,764	40,764	0
<i>Fund Balance End of Year</i>	\$1,081,733	\$1,153,780	\$1,498,473	\$344,693

See accompanying notes to the basic financial statements

Coventry Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$100,935	\$158,193
Investments	31,274	0
<i>Total Assets</i>	132,209	\$158,193
Liabilities		
Due to Students	0	\$158,193
Net Position		
Held in Trust for Scholarships:		
Nonexpendable	31,274	
Expendable	100,935	
<i>Total Net Position</i>	\$132,209	

See accompanying notes to the basic financial statements

Coventry Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Funds
Additions	
Interest	(\$5,870)
Contributions and Donations	15,610
<i>Total Additions</i>	9,740
Deductions	
Payments in Accordance with Trust Agreements	23,650
<i>Change in Net Position</i>	(13,910)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	146,119
<i>Net Position End of Year</i>	\$132,209

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, 2018

Note 1 – Description of the School District and Reporting Entity

Coventry Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the School District.

The School District is located in Summit County in northeastern Ohio. The School District currently operates one elementary school (K-4), one middle school (5-8) and one high school (9-12), which are staffed by 13 administrators, 125 certificated full-time equivalent teaching personnel and 48 full-time-equivalent classified employees, who provide services to 1,921 students and other community members.

On December 4, 2015, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State under section 3316.03B(2), Revised Code. In accordance with the law, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is composed of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of the Office of Budget and Management, an appointee by the Governor, and an appointee by the Summit County Fiscal Officer. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan is 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 Financial Recovery Plan was adopted on May 9, 2016. Under State law, the School District must annually update its Financial Recovery Plan. The Financial Recovery Plan included consideration of data regarding the School District’s levies, the continued use and expansion of shared services, the use of competitive bidding, the evaluation of facilities usage and overhead, an organizational review and staffing analysis, a transportation study, evaluation of open enrollment, and eliminating overspending. See Note 24 for more information on the School District’s Fiscal Emergency status.

Reporting Entity

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

Non-public Schools Within the School District boundaries, St. Francis De Sales School is operated through the Cleveland Diocese as a non-public school. Current State legislation provides funding for the nonpublic school. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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 deficits of, or provide

Coventry Local School District
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For the Fiscal Year Ended June 30, 2018

financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations include the Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Stark County Schools Council of Government. These organizations are addressed in Notes 15 and 16 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial principles. The more significant of the School District's accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

Coventry Local School District
Notes to the Basic Financial Statements
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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. The funds of the School District are divided into two categories: governmental 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for the School District's local share of the construction of a new high school and furnishing and improving School District buildings and facilities.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds which are used to account for college scholarships. The School District's agency fund is purely custodial in nature (assets equal liabilities) and thus does not involve measurement of results of operations. The agency fund reflects resources that belong to the student bodies of the various schools.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

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 and the statements presented for fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange 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 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 the modified accrual basis, revenue from nonexchange 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 year-end: property taxes available as an advance, interest, grants, tuition and fees, rentals, and miscellaneous.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-

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wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 22 and 23).

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

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.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled except for certain investments for the private purpose trust funds. Individual fund integrity is maintained through the School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2018, investments were limited to donated stocks. Investments are reported at fair value which is based on quoted market prices.

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 the fiscal year 2018 amounted to \$1,404, which included \$929 assigned from other School District funds.

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

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Capital Assets

All capital assets of the School District are classified as general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. 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 position but are not reported in the fund financial statements.

Coventry Local School District
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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 acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of 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:

Description	Estimated Lives
Buildings and Improvements	10 - 30 Years
Furniture and Equipment	5 - 30 Years
Vehicles	5 - 10 Years

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 position.

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. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Certificates of Participation, bonds, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Coventry Local School District
Notes to the Basic Financial Statements
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Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Fund Balances

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

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Notes to the Basic Financial Statements
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Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources which will be used for instructional programs, community services, educational computer network connections, and special education.

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

Estimates

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

Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported in the budgetary statement as the original and final budgeted amounts reflect the amounts in the amended certificate in effect when the original and final appropriations were passed by the Board of Education.

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

Note 3 – Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2017-1. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the effect on net position as reported June 30, 2017, as disclosed subsequently.

Restatement of Prior Year Net Position

The implementation of GASB 75 had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net Position June 30, 2017	(\$17,996,512)
Adjustments:	
Net OPEB Liability	(7,034,235)
Deferred Outflow - Payments Subsequent to Measurement Date	44,208
Restated Net Position June 30, 2017	(\$24,986,539)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

During fiscal year 2018, it was determined that equity in pooled cash and cash equivalents had been overstated by \$59,982 in the fiduciary private purpose trust funds at June 30, 2017. This adjustment restated net position from \$206,101 to \$146,119 at June 30, 2017, in the private purpose trust funds.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursement and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget (non-GAAP basis) and actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Budgetary revenues and expenditures of the uniform school supply and public school support funds are reclassified to the general fund for GAAP reporting.
5. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance	
GAAP Basis	General (\$199,689)
Net Adjustment for Revenue Accruals	93,815
Net Adjustment for Expenditure Accruals	60,893
Advances Out	(244,485)
Perspective Differences:	
Uniform School Supply	6,727
Public School Support	(46,771)
Adjustment for Encumbrances	(250,304)
Budget Basis	(\$579,814)

Coventry Local School District
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Note 5 – Accountability

Accountability

The following funds had deficit fund balances at June 30, 2018:

Fund	Deficit Fund Balances
<i>Special Revenue Funds:</i>	
Miscellaneous State Grants	\$10,176
IDEA Part B	94,852
Title I	9,768
Improving Teacher Quality	8,917

The special revenue funds’ deficit balances resulted from an interfund payable in each of the funds. The general fund provides money to operate the program until grants and other monies are received and the advance can be repaid.

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

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

Coventry Local School District
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3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$2,238,589 of the School District's total bank balance of \$5,668,957 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level 1 Inputs:				
Wells Fargo and Company New Stock	\$13,306	Less than one year	A	42.55 %
Proctor and Gamble Company Stock	10,148	Less than one year	AA-	32.45
Scana Corporation Com Stock	7,820	Less than one year	A-2	25.00
Total Portfolio	<u>\$31,274</u>			<u>100.00 %</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2018. The donated stocks are measured at fair value and are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity. 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's investments are rated as shown in the preceding table. The School District has no investment policy that further limits its investment choices.

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. The preceding table shows the allocation of investments.

Note 7 – Receivables

Receivables at June 30, 2018, consisted of property taxes, interfund, accounts, and intergovernmental grants and entitlements. 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable	Amounts
<i>Governmental Funds:</i>	
Excess Costs	\$342,924
IDEA-B Grant	117,658
Regular Tuition	107,451
Title I-A Grant	53,309
Bureau of Workers' Compensation Rebate	52,205
Special Education Tuition	40,530
Title II-A Grant	14,320
School Foundation Payment Report Adjustment	12,972
Parent Mentor Project Grant	9,115
Title IV-A Grant	8,461
Medicaid	2,206
Secondary Transition Grant	1,334
Motor Vehicle Fuel Tax Refund	514
Summit County	385
Total	\$763,384

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in calendar year 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes, which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

Coventry Local School District
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For the Fiscal Year Ended June 30, 2018

The amount available as an advance at June 30, 2018, was \$985,107 in the general fund, \$119,985 in the bond retirement debt service fund, and \$26,335 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2017, was \$1,110,702 in the general fund, \$133,802 in the bond retirement debt service fund, and \$30,037 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Fiscal Officer.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2018 taxes were collected are as follows:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$279,103,890	95.53 %	\$295,506,500	95.72 %
Public Utility Personal Property	13,065,920	4.47	13,212,920	4.28
Total	<u>\$292,169,810</u>	<u>100.00 %</u>	<u>\$308,719,420</u>	<u>100.00 %</u>
Tax rate per \$1,000 of Assessed Valuation	\$79.23		\$77.98	

The tax rate decreased due to an increase in property tax values in the School District during fiscal year 2018. The increase in property tax values caused the tax rate to decrease so that the bond levy and emergency levies would meet their collection amounts.

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$679,076	\$0	(\$260,000)	\$419,076
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	48,046,844	10,046	(1,280,800)	46,776,090
Furniture and Equipment	4,413,578	84,431	0	4,498,009
Vehicles	371,955	0	0	371,955
<i>Total Capital Assets, being depreciated</i>	<u>52,832,377</u>	<u>94,477</u>	<u>(1,280,800)</u>	<u>51,646,054</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(9,648,603)	(1,812,781)	1,280,800	(10,180,584)
Furniture and Equipment	(2,181,132)	(195,297)	0	(2,376,429)
Vehicles	(346,536)	(16,952)	0	(363,488)
<i>Total Accumulated Depreciation</i>	<u>(12,176,271)</u>	<u>(2,025,030) *</u>	<u>1,280,800</u>	<u>(12,920,501)</u>
Total Capital Assets, being depreciated, net	<u>40,656,106</u>	<u>(1,930,553)</u>	<u>0</u>	<u>38,725,553</u>
Governmental Activities Capital Assets, Net	<u>\$41,335,182</u>	<u>(\$1,930,553)</u>	<u>(\$260,000)</u>	<u>\$39,144,629</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,900,529
Special	3,126
Support Services:	
Pupils	1,336
Instructional Staff	4,292
Administration	717
Fiscal	350
Operation and Maintenance of Plant	22,642
Pupil Transportation	28,104
Central	3,860
Operation of Non-Instructional Services:	
Food Service Operations	27,838
Community Services	6,435
Extracurricular Activities	25,801
Total Depreciation Expense	\$2,025,030

Note 10 – Capital Leases

In fiscal year 2008, the School District entered into a lease agreement for modular buildings. This lease meets the criteria for a capital lease as it transfers benefits and risks of ownership to the lessee. The assets acquired have been capitalized in the amount of \$1,500,000, which was the present value of the minimum lease payments at the inception of the lease.

In fiscal year 2017, the School District entered into a lease agreement for stadium lights. The lease meets the criteria of a capital lease since it transfers benefits and risks of ownership to the lessee. The assets acquired have been capitalized in the amount of \$165,000, which was the present value of the minimum lease payments at the inception of the lease.

The assets acquired through the capital leases are as follows:

	Governmental Activities		
	Modular Units	Stadium Lights	Total
Asset:			
Buildings and Improvements	\$1,500,000	\$165,000	\$1,665,000
Less: Accumulated Depreciation	(532,635)	(22,000)	(554,635)
Total	\$967,365	\$143,000	\$1,110,365

The leases provide for minimum, annual lease payments as follows:

	Governmental Activities		
	Modular Units	Stadium Lights	Total
2019	\$118,416	\$35,652	\$154,068
2020	117,680	35,653	153,333
2021	116,800	35,653	152,453
2022	116,752	0	116,752
2023	115,535	0	115,535
2024-2028	568,999	0	568,999
2029	0	0	0
Less: Amount Representing Interest	(236,182)	(8,061)	(244,243)
Present Value of Minimum Lease Payment	\$918,000	\$98,897	\$1,016,897

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 – Long-Term Obligations

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

	Principal Outstanding 6/30/17	Additions	Reductions	Principal Outstanding 6/30/18	Amount Due in One Year
Governmental Activities					
<i>Certificates of Participation:</i>					
2011 Certificates of Participation:					
Term Certificates	\$1,165,000	\$0	(\$75,000)	\$1,090,000	\$75,000
<i>General Obligation Bonds:</i>					
2013 School Improvement Bonds:					
Serial Bonds	7,695,000	0	(5,000)	7,690,000	105,000
Term Bonds	20,595,000	0	0	20,595,000	0
Capital Appreciation Bonds	8,425	0	0	8,425	0
Accretion on Capital Appreciation Bonds	25,118	14,932	0	40,050	0
Premium	813,526	0	(26,895)	786,631	0
<i>Total General Obligation Bonds</i>	<u>29,137,069</u>	<u>14,932</u>	<u>(31,895)</u>	<u>29,120,106</u>	<u>105,000</u>
<i>Loans Payable:</i>					
Energy Conservation Loan Phase #3	237,244	0	(55,437)	181,807	57,943
<i>Long-Term Note Payable:</i>					
Solvency Assistance	2,419,000	0	(2,419,000)	0	0
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
SERS	6,193,228	0	(1,356,567)	4,836,661	0
STRS	28,739,040	0	(9,343,392)	19,395,648	0
Total Net Pension Liability	<u>34,932,268</u>	<u>0</u>	<u>(10,699,959)</u>	<u>24,232,309</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,442,562	0	(240,883)	2,201,679	0
STRS	4,591,673	0	(1,406,071)	3,185,602	0
Total Net OPEB Liability	<u>7,034,235</u>	<u>0</u>	<u>(1,646,954)</u>	<u>5,387,281</u>	<u>0</u>
Capital Leases	1,120,347	0	(103,450)	1,016,897	107,674
Compensated Absences	1,416,218	55,862	(144,991)	1,327,089	42,378
<i>Total Other Long-Term Obligations</i>	<u>44,503,068</u>	<u>55,862</u>	<u>(12,595,354)</u>	<u>31,963,576</u>	<u>150,052</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$77,461,381</u>	<u>\$70,794</u>	<u>(\$15,176,686)</u>	<u>\$62,355,489</u>	<u>\$387,995</u>

On March 24, 2011, the School District issued \$1,500,000 in Certificates of Participation (COPS) for building and property renovations. The COPS included \$195,000 in serial certificates and \$1,305,000 in term certificates. The COPS were issued for an eighteen year period with a final maturity in fiscal year 2029. The certificates will be paid from property taxes from the permanent improvement fund. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio School Building Leasing Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term through June 30, 2011, which includes the right to renew for eighteen successive one-year terms through fiscal year 2029 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations,

Coventry Local School District
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For the Fiscal Year Ended June 30, 2018

semi-annually. The base rent includes an interest component of 1.75 to 5.75 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture.

Optional Redemption The certificates maturing on or after October 1, 2015, are subject to optional redemption by the School District, in whole or in part as selected by the District, on any date on or after October 1, 2014, at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption The term certificates maturing on October 1, 2018, 2020, 2022, 2024, 2026, and 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on October 1 in the years and in the respective principal amounts as follows:

Year	Issue					
	\$150,000	\$165,000	\$180,000	\$195,000	\$225,000	\$250,000
2019	\$0	\$80,000	\$0	\$0	\$0	\$0
2021	0	0	90,000	0	0	0
2023	0	0	0	95,000	0	0
2025	0	0	0	0	110,000	0
2027	0	0	0	0	0	120,000
Total Mandatory Sinking Fund Payment	0	80,000	90,000	95,000	110,000	120,000
Amount Due at Stated Maturity	75,000	85,000	90,000	100,000	115,000	130,000
Total	<u>\$75,000</u>	<u>\$165,000</u>	<u>\$180,000</u>	<u>\$195,000</u>	<u>\$225,000</u>	<u>\$250,000</u>
<i>Stated Maturity</i>	10/1/2018	10/1/2020	10/1/2022	10/1/2024	10/1/2026	10/1/2028

On October 16, 2013, the School District issued school improvement general obligation bonds for the School District's local share of the construction of a new high school, as well as furnishing, equipping, and otherwise improving School District buildings and facilities. The bonds were issued with a premium of \$914,375. The amount is being amortized to interest expense over the life of the bonds using the straight line method. The bonds consist of serial, term and capital appreciation (deep discount) bonds in the amounts of \$7,705,000, \$20,595,000, and \$8,425 and were issued for a period of 34 years with final maturity on November 1, 2047. The serial bonds were issued at interest rates ranging from 3 to 5 percent, and the term bonds were issued at interest rates ranging from 5 to 5.25 percent.

The capital appreciation bonds were originally sold at a discount of \$2,266,575, which is being accreted annually until the point of maturity of the capital appreciation bonds, which will be repaid during fiscal years 2028 through 2031. The final maturity amount of outstanding capital appreciation bonds at June 30, 2018, is \$2,275,000. The accretion recorded for fiscal year 2018 was \$14,932, for a total outstanding bond liability of \$48,475.

Optional Redemption The current interest bonds maturing on or after November 1, 2022, are subject to optional redemption by the School District prior to their stated maturity, in whole or in part, as selected by the Board, on any date on or after November 1, 2021, at a redemption price equal to 100 percent of the principal amount to be redeemed plus interest accrued to the redemption date.

Coventry Local School District
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Mandatory Sinking Fund Redemption The term bonds maturing on November 1, 2037, 2042 and 2047 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus interest accrued to the redemption date, on November 1 of the years and in the respective principal amounts as follows:

Year	Issue		
	\$2,490,000	\$7,835,000	\$10,270,000
2036	\$1,215,000	\$0	\$0
2038	0	1,345,000	0
2039	0	1,500,000	0
2040	0	1,575,000	0
2041	0	1,655,000	0
2043	0	0	1,850,000
2044	0	0	1,945,000
2045	0	0	2,050,000
2046	0	0	2,155,000
Total Mandatory Sinking Fund Payment	1,215,000	6,075,000	8,000,000
Amount Due at Stated Maturity	1,275,000	1,760,000	2,270,000
Total	\$2,490,000	\$7,835,000	\$10,270,000
<i>Stated Maturity</i>	<i>11/1/2037</i>	<i>11/1/2042</i>	<i>11/1/2047</i>

On June 13, 2005, the School District issued \$709,533 for the purpose of making energy improvements to various school buildings in the School District. The notes were issued for a fifteen year period with final maturity during fiscal year 2021.

In May 2016, the School District received a \$4,838,000 solvency assistance loan from the State of Ohio. The money was used to repay the Stark County Schools Council of Governments Health Benefit Plan for health insurance premiums and operating income. The note is non-interest bearing and was repaid through deductions from the School District's semi-monthly State foundation settlements. The final payment was made in June 2018.

The certificates of participation will be paid from the permanent improvement fund. The general obligation bonds will be paid from the bond retirement fund. The energy conservation loan and the solvency assistance note will be paid from the general fund. There is no repayment schedule for the net pension/OPEB liabilities; however, employer pension/OPEB contributions are made from the general fund and the food service and auxiliary services special revenue funds. For additional information related to the net pension liability and the net OPEB liability, see Notes 22 and 23. The capital leases will be paid from the general fund and permanent improvement fund. The compensated absences liability will be paid from the general fund and the food service, auxiliary services, miscellaneous State grants, IDEA part B, title I, and improving teacher quality special revenue funds.

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The School District's overall debt margin was \$294,082 with an unvoted debt margin of \$308,719 at June 30, 2018. Principal and interest requirements to retire outstanding long-term obligations at June 30, 2018, are as follows:

Fiscal Year	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$105,000	\$360,050	\$0	\$1,061,650	\$0	\$0
2020	130,000	354,174	0	1,061,650	0	0
2021	150,000	347,175	0	1,061,650	0	0
2022	270,000	336,675	0	1,061,650	0	0
2023	295,000	322,550	0	1,061,650	0	0
2024-2028	1,695,000	1,335,750	0	5,308,250	3,575	631,425
2029-2033	2,015,000	1,036,488	0	5,308,250	4,850	1,635,150
2034-2038	3,030,000	217,063	2,490,000	5,179,100	0	0
2039-2043	0	0	7,835,000	3,724,501	0	0
2044-2048	0	0	10,270,000	1,403,064	0	0
Total	\$7,690,000	\$4,309,925	\$20,595,000	\$26,231,415	\$8,425	\$2,266,575

Fiscal Year	Certificates of Participation		Energy Conservation Loan	
	Principal	Interest	Principal	Interest
2019	\$75,000	\$55,678	\$57,943	\$8,220
2020	80,000	52,338	60,563	5,600
2021	85,000	48,543	63,301	2,862
2022	90,000	44,293	0	0
2023	90,000	39,702	0	0
2024-2028	540,000	116,930	0	0
2029	130,000	3,737	0	0
Total	\$1,090,000	\$361,221	\$181,807	\$16,682

Note 12 – Other Employee Benefits

Compensated Absences

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

Coventry Local School District
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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 a maximum of 300. Upon retirement under provisions of SERS, classified staff with at least ten years of service with the School District receive payment for 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 200 days, not to exceed 300 days for classified employees. Upon retirement under provisions of STRS, certified employees are paid for 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 215 days, not to exceed 285 days.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government's Health Benefits Program.

Note 13 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District contracted with Liberty Mutual Insurance for various types of insurance as follows:

Type of Coverage	Coverage Amount	Deductible
Property	\$73,640,100	\$1,000
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	2,000,000	0
Violent Event Coverage	1,000,000	0
Employee Benefits Liability	1,000,000	1,000
Employer's Liability	1,000,000	0
Sexual Misconduct	1,000,000	0
Commercial Inland Marine	2,500,000	0
Commercial Umbrella Liability	4,000,000	0
Commercial Auto Coverage	1,000,000	1,000

Settled claims have not exceeded this commercial coverage in any of the last three years and there have been no significant reductions in insurance coverage from last fiscal year.

Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 16). 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. Each participant pays its workers' compensation premium to the State based

Coventry Local School District
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For the Fiscal Year Ended June 30, 2018

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

Employee Medical Benefits

The School District has contracted with the Stark County Schools Council of Government's Health Benefit Program, a shared risk pool (see Note 16) to provide employee medical/surgical, vision, and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,710.53 for family coverage and \$702.62 for single coverage per employee per month.

Note 14 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2018 have been finalized. The impact of the FTE adjustments have been recorded as a receivable on the fiscal year 2018 financial statements.

Litigation

The School District is a party to legal proceedings. The School Board is of opinion that the ultimate disposition of the current 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, 2018

Note 15 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed organization among twenty-nine school districts, three career centers, and the Summit and Medina County Educational Service Centers. The Summit County Educational Service Center acts as the fiscal agent for the consortium. 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 among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the Board of Directors. Each participant's degree of control is limited to its representation on the board. The Board of Directors exercises total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEONET. During the current fiscal year, the School District made \$113,267 in payments to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, OH 44221.

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 composed 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. During fiscal year 2018, the School District paid \$976 to Portage Lakes Career Center for various items. Financial information can be obtained by writing to the Portage Lakes Career Center, 4401 Shriver Road, Green, Ohio 44232.

Note 16 – Insurance Purchasing Pools

Ohio School Boards Association Worker's Compensation Group Rating Program

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

Stark County Schools Council of Government

The Stark County Schools Council of Government (the Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool.

Coventry Local School District
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Note 17 – Interfund Transactions

Interfund Balances

As of June 30, 2018, the general fund had a \$244,485 interfund receivable and the following funds had the corresponding interfund payables:

Interfund Payable	Interfund Receivable General
<i>Other Governmental Funds:</i>	
Miscellaneous State Grants	\$11,362
IDEA, Part B	148,955
Title I	53,309
Improving Teacher Quality	22,359
Miscellaneous Federal Grants	8,500
Total	\$244,485

Interfund receivables and payables are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. All advances are expected to be repaid within one year.

Interfund Transfers

The School District had the following transfers during fiscal year 2018:

Transfers To	Transfers From		Total
	General	Other Governmental Funds	
<i>Governmental Funds:</i>			
General	\$0	\$150,925	\$150,925
Other Governmental Funds	133,251	0	133,251
Total	\$133,251	\$150,925	\$284,176

Transfers from the general fund of \$133,251 to other governmental funds were to move unrestricted balances to support programs and projects accounted for in those funds. The transfer from other governmental funds to the general fund was to reimburse the general fund for eligible grant expenditures made in previous years.

Coventry Local School District
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Note 18 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepays	\$17,421	\$0	\$0	\$17,421
<u>Restricted for:</u>				
Debt Service	0	802,759	0	802,759
Capital Outlay	0	0	1,204,927	1,204,927
Food Service Operations	0	0	586,861	586,861
Facilities Maintenance	0	0	206,434	206,434
Student Activities	0	0	133,850	133,850
<u>Other Purposes:</u>				
Instructional Programs	0	0	56,253	56,253
Community Services	0	0	43,009	43,009
Educational Computer Network Connections	0	0	14,171	14,171
Total Restricted	0	802,759	2,245,505	3,048,264
<u>Committed to:</u>				
<u>Purchases on Order:</u>				
Instruction	35,639	0	0	35,639
Support Services	97,474	0	0	97,474
Underground Storage Tank	11,000	0	0	11,000
Total Committed	144,113	0	0	144,113
<u>Assigned to:</u>				
<u>Purchases on Order:</u>				
Instruction	11,128	0	0	11,128
Support Services	45,717	0	0	45,717
Extracurricular Activities	3,000	0	0	3,000
Total Assigned	59,845	0	0	59,845
Unassigned (Deficit)	848,780	0	(123,713)	725,067
Total Fund Balances	\$1,070,159	\$802,759	\$2,121,792	\$3,994,710

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Note 19 – Donor Restricted Endowments

The School District’s scholarship endowment fund includes donor restricted endowments. The net position-non-expendable amount of \$31,274 represents the principal portion of the endowments. The net position-expendable amount of \$40,943 represents the interest earnings on donor-restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment’s intent. State law permits the governing board to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

Note 20 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal 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 fiscal year end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvement
Set-aside Balances as of June 30, 2017	\$0
Current Year Set-aside Requirement	375,980
Current Year Offsets	(375,980)
Totals	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2018	\$0

\$50,975 of the current year offsets is from bond proceeds. The offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset for future periods. The available balance remaining for future use as of June 30, 2018, was \$27,464,035.

Note 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$250,304
Other Governmental Funds	212,091
Total	\$462,395

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Note 22 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District’s obligation for these liabilities to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 23 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

Plan Description – The School District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members

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and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$358,876 for fiscal year 2018. Of this amount \$33,658 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The School District's licensed teachers and other faculty members participate in STRS, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The entire 14 percent employer contribution rate was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,257,385 for fiscal year 2018. Of this amount, \$212,470 is reported as an intergovernmental payable.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.08461760%	0.08585734%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.08095130%</u>	<u>0.08164796%</u>	
Change in Proportionate Share	<u>-0.00366630%</u>	<u>-0.00420938%</u>	
Proportionate Share of the Net Pension Liability	\$4,836,661	\$19,395,648	\$24,232,309
Pension Expense	(\$324,176)	(\$7,877,115)	(\$8,201,291)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$208,153	\$748,969	\$957,122
Changes of Assumptions	250,108	4,242,041	4,492,149
Changes in Proportionate Share and Difference between School			
District Contributions and Proportionate Share of Contributions	37,708	0	37,708
School District Contributions Subsequent to the Measurement Date	<u>358,876</u>	<u>1,257,385</u>	<u>1,616,261</u>
Total Deferred Outflows of Resources	<u>\$854,845</u>	<u>\$6,248,395</u>	<u>\$7,103,240</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$0	\$156,321	\$156,321
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	22,959	640,079	663,038
Changes in Proportionate Share and Difference between School			
District Contributions and Proportionate Share of Contributions	<u>372,921</u>	<u>1,388,320</u>	<u>1,761,241</u>
Total Deferred Inflows of Resources	<u>\$395,880</u>	<u>\$2,184,720</u>	<u>\$2,580,600</u>

\$1,616,261 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$43,890	\$484,863	\$528,753
2020	146,442	1,355,593	1,502,035
2021	22,509	880,368	902,877
2022	(112,752)	85,466	(27,286)
Total	<u>\$100,089</u>	<u>\$2,806,290</u>	<u>\$2,906,379</u>

Actuarial Assumptions – SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$6,712,029	\$4,836,661	\$3,265,658

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017 actuarial valuation, compared with July 1, 2016, are presented as follows:

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	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017 actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set-back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS’ investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$27,803,001	\$19,395,648	\$12,313,713

Note 23 – Defined Benefit OPEB Plans

See Note 22 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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For the Fiscal Year Ended June 30, 2018

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$44,380.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$57,672 for fiscal year 2018. Of this amount, \$45,627 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.08569280%	0.08585734%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.08203780%</u>	<u>0.08164796%</u>	
Change in Proportionate Share	<u>-0.00365500%</u>	<u>-0.00420938%</u>	
Proportionate Share of the Net OPEB Liability	\$2,201,679	\$3,185,602	\$5,387,281
OPEB Expense	\$101,241	(\$1,004,233)	(\$902,992)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$0	\$183,892	\$183,892
School District Contributions Subsequent to the Measurement Date	<u>57,672</u>	<u>0</u>	<u>57,672</u>
Total Deferred Outflows of Resources	<u>\$57,672</u>	<u>\$183,892</u>	<u>\$241,564</u>
Deferred Inflows of Resources			
Changes of Assumptions	\$208,928	\$256,611	\$465,539
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	5,814	136,160	141,974
Changes in Proportionate Share and Difference between School			
District Contributions and Proportionate Share of Contributions	<u>83,174</u>	<u>192,959</u>	<u>276,133</u>
Total Deferred Inflows of Resources	<u>\$297,916</u>	<u>\$585,730</u>	<u>\$883,646</u>

\$57,672 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$107,287)	(\$78,320)	(\$185,607)
2020	(107,287)	(78,320)	(185,607)
2021	(81,888)	(78,320)	(160,208)
2022	(1,454)	(78,321)	(79,775)
2023	0	(44,280)	(44,280)
Thereafter	<u>0</u>	<u>(44,277)</u>	<u>(44,277)</u>
Total	<u>(\$297,916)</u>	<u>(\$401,838)</u>	<u>(\$699,754)</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability for SERS and what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$2,658,808	\$2,201,679	\$1,839,516

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	\$1,786,498	\$2,201,679	\$2,751,179

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rates The following table represents the School District's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease <u>(3.13%)</u>	Current Discount Rate <u>(4.13%)</u>	1% Increase <u>(5.13%)</u>
School District's Proportionate Share of the Net OPEB Liability	\$4,276,620	\$3,185,602	\$2,323,342

	1% Decrease <u></u>	Current Trend Rate <u></u>	1% Increase <u></u>
School District's Proportionate Share of the Net OPEB Liability	\$2,213,220	\$3,185,602	\$4,465,371

Note 24 – Fiscal Emergency

On December 4, 2015, the Auditor of State declared the School District in Fiscal Emergency. Many factors have contributed to the School District's financial condition, including significant reductions in State revenues, over-reliance on assessed property values, difficulty passing property tax levies, increasing health care costs, and building maintenance costs.

During fiscal year 2018, the School District made reductions and cut costs as much as possible. On November 7, 2017, School District voters approved the renewal of an emergency levy that generates well over \$2 million annually. Collection of the renewal levy begins in calendar year 2019.

Required Supplementary Information

Coventry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08095130%	0.08461760%	0.09117520%	0.08881500%	0.08881500%
School District's Proportionate Share of the Net Pension Liability	\$4,836,661	\$6,193,228	\$5,202,545	\$4,494,877	\$5,281,543
School District's Covered Payroll	\$2,534,836	\$2,402,914	\$3,243,460	\$2,950,166	\$2,710,896
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.81%	257.74%	160.40%	152.36%	194.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Coventry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Two Fiscal Years (1) **

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.08203780%	0.08569280%
School District's Proportionate Share of the Net OPEB Liability	\$2,201,679	\$2,442,562
School District's Covered Payroll	\$2,534,836	\$2,402,914
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	86.86%	101.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Coventry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08164796%	0.08585734%	0.08824592%	0.08875798%	0.08875798%
School District's Proportionate Share of the Net Pension Liability	\$19,395,648	\$28,739,040	\$24,388,591	\$21,589,012	\$25,716,690
School District's Covered Payroll	\$8,820,200	\$10,107,750	\$8,754,400	\$9,418,569	\$9,581,962
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	219.90%	284.33%	278.59%	229.22%	268.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Coventry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08164796%	0.08585734%
School District's Proportionate Share of the Net OPEB Liability	\$3,185,602	\$4,591,673
School District's Covered Payroll	\$8,820,200	\$10,107,750
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.12%	45.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Coventry Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$358,876	\$354,877	\$336,408	\$427,488
Contributions in Relation to the Contractually Required Contribution	<u>(358,876)</u>	<u>(354,877)</u>	<u>(336,408)</u>	<u>(427,488)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,658,341	\$2,534,836	\$2,402,914	\$3,243,460
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$57,672	\$44,208	\$43,113	\$74,853
Contributions in Relation to the Contractually Required Contribution	<u>(57,672)</u>	<u>(44,208)</u>	<u>(43,113)</u>	<u>(74,853)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.17%</u>	<u>1.74%</u>	<u>1.79%</u>	<u>2.31%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.67%</u>	<u>15.74%</u>	<u>15.79%</u>	<u>15.49%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$408,893	\$375,188	\$365,986	\$388,330	\$413,605	\$294,678
(408,893)	(375,188)	(365,986)	(388,330)	(413,605)	(294,678)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,950,166	\$2,710,896	\$2,721,086	\$3,089,340	\$3,054,690	\$2,994,695
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$49,630	\$45,775	\$56,315	\$91,122	\$60,470	\$170,085
(49,630)	(45,775)	(56,315)	(91,122)	(60,470)	(170,085)
\$0	\$0	\$0	\$0	\$0	\$0
1.68%	1.69%	2.07%	2.95%	1.98%	5.68%
15.54%	15.53%	15.52%	15.52%	15.52%	15.52%

Coventry Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,257,385	\$1,234,828	\$1,415,085	\$1,225,616
Contributions in Relation to the Contractually Required Contribution	<u>(1,257,385)</u>	<u>(1,234,828)</u>	<u>(1,415,085)</u>	<u>(1,225,616)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$8,981,321	\$8,820,200	\$10,107,750	\$8,754,400
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$1,224,414	\$1,245,655	\$1,251,962	\$1,204,186	\$1,176,589	\$1,225,226
(1,224,414)	(1,245,655)	(1,251,962)	(1,204,186)	(1,176,589)	(1,225,226)
\$0	\$0	\$0	\$0	\$0	\$0
\$9,418,569	\$9,581,962	\$9,630,477	\$9,262,969	\$9,050,685	\$9,424,815
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$94,186	\$95,820	\$96,305	\$92,630	\$90,507	\$94,248
(94,186)	(95,820)	(96,305)	(92,630)	(90,507)	(94,248)
\$0	\$0	\$0	\$0	\$0	\$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Coventry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation	7.75 percent net of investment expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females,

Coventry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set-back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented in the following table:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	044594-05PU-11	\$ 80,098	\$ 0
National School Lunch Program	10.555	044594-LLP4-11	337,827	52,553
Total Child Nutrition Cluster			<u>417,925</u>	<u>52,553</u>
Total U.S. Department of Agriculture			<u>417,925</u>	<u>52,553</u>
<u>U.S. Department of Education</u>				
<i>Passed through Ohio Department of Education</i>				
Title I - Grants to Local Educational Agencies	84.010	2011	<u>332,761</u>	<u>0</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	044594-6BSF-11	432,185	0
Total Special Education Cluster			<u>432,185</u>	<u>0</u>
Student Support and Academic Enrichment Program	84.424	044595-SFSF	<u>1,500</u>	<u>0</u>
Improving Teacher Quality States Grants	84.367	044594-TRS1-11	104,145	0
Total U.S. Department of Education			<u>870,591</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,288,516</u>	<u>\$ 52,553</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Coventry Local School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Coventry Local School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Coventry Local School District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

Coventry Local School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE 5: FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

JAMES G. ZUPKA, C.P.A., INC.

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**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**

To the Members of Board of Education
Coventry Local School District
Coventry, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the District restated net position at June 30, 2017 for the private purpose trust funds. Also, the District is in fiscal emergency.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a significant deficiency as item **2018-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

February 21, 2019

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of Board of Education
Coventry Local School District
Coventry, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Coventry Local School District, Summit County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Coventry Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

February 21, 2019

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2018(v)	Type of Major Programs' Compliance Opinions	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list): Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555 Title I - Grants to Local Educational Agencies - CFDA #84.010	
2018(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others less than \$750,000
2018(ix)	Low Risk Auditee?	No

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)**

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

Finding 2018-001 – Significant Deficiency – Capital Assets

Condition/Criteria

During our review of capital assets, we noted that the District did not maintain a complete capital asset listing.

Cause/Effect

As a result of not maintaining a complete and up-to-date capital asset listing, the District reported disposals of \$260,000 for the land and \$1,280,800 for the building relating to the sale of property. The property being disposed of had a historical cost of \$31,094 for the land, and \$444,948 for the building, which was fully depreciated. This resulted in land being understated by \$228,906, and the building and accumulated depreciation being understated by \$835,852 each.

Recommendation

We recommend that the District maintain a complete listing of all its capital assets. Detailed capital asset records will aid the District to account for and monitor its physical assets and related depreciation.

District Response

The District is aware of the issue with fixed assets and hired Industrial Appraisers to do an inventory count. The District will need to restate fixed assets in fiscal year 2019.

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

None.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The prior audit report, as of June 30, 2017, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE KEITH FABER



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 11, 2019**