

Coventry Local School District

* * * *

Basic Financial Statements

June 30, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 15, 2007

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COVENTRY LOCAL SCHOOL DISTRICT

*For the Year Ended June 30, 2006
Table of Contents*

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

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COVENTRY LOCAL SCHOOL DISTRICT

For the Year Ended June 30, 2006

Table of Contents

Notes to the Basic Financial Statements	23
Report on Compliance and on Internal Control Over Financial Reporting Based in an Audit of Financial Statements Performed In Accordance with Government Auditing Standards.....	48
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance with OMB Circular A-133.....	50
Schedule of Federal Financial Assistance – CASH BASIS.....	52
Schedule of Findings and Questioned Costs OMB Circular A-133.....	53

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 11, 2006

The Board of Education
Coventry Local School District
Coventry, OH

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coventry Local School District as of and for the year ended June 30, 2006, which collectively comprise Coventry Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coventry Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coventry Local School District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2006 on our consideration of Coventry Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Coventry Local School District
Independent Auditor's Report
Page 2

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

Hea & Associates, Inc.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of the Coventry Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$14.1 million in revenue or 67.9% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for approximately \$6.7 or 32.1% of total revenues of \$20.8 million.
- Total program expenses were \$22.1 million in Governmental Activities.
- In total, net assets of Governmental Activities decreased approximately \$1.3 million from 2005.
- Outstanding bonded debt decreased from \$4.4 million to \$4.0 million through the payment of bond and note principal.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities	
	2006	Restated 2005
Assets		
Current and Other Assets	\$ 12,563,803	\$ 13,482,199
Capital Assets	<u>3,710,317</u>	<u>3,840,449</u>
Total Assets	16,274,120	17,322,648
Liabilities		
Long-Term Liabilities	5,056,284	5,409,588
Other Liabilities	<u>11,955,877</u>	<u>11,318,638</u>
Total Liabilities	17,012,161	16,728,226
Net Assets		
Invested in Capital Assets, Net of Debt	1,546,693	1,382,556
Restricted	1,156,373	1,741,968
Unrestricted (Deficit)	<u>(3,441,107)</u>	<u>(2,530,102)</u>
Total Net Assets	<u>\$ (738,041)</u>	<u>\$ 594,422</u>

Assets decreased by approximately \$1 million and liabilities increased approximately \$284,000 resulting in a decrease in net assets of \$1.3 million. The primary factor which caused the decrease in the current and other assets was due to the decrease in cash of approximately \$1 million dollars. The increase in liabilities is due to increase in claims payable of approximately \$224,000 versus the prior year.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows the changes in net assets for fiscal year 2006. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	Restated 2005
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 5,251,712	\$ 5,370,000
Operating Grants	1,416,285	1,580,588
Capital Grants	0	12,004
<i>General Revenue:</i>		
Property Taxes	9,130,060	9,680,289
Grants and Entitlements	4,763,859	4,934,346
Other	225,968	88,122
<i>Total Revenues</i>	20,787,884	21,665,349
Program Expenses		
Instruction	12,335,864	10,970,488
Support Services	8,329,198	6,966,884
Operation of Non-Instructional	304,488	239,006
Food Service	639,371	628,383
Extracurricular Activities	396,598	351,162
Interest and Fiscal Charges	114,828	228,927
<i>Total Expenses</i>	22,120,347	19,384,850
<i>Change in Net Assets</i>	(1,332,463)	2,280,499
<i>Net Assets Beginning of Year</i>	594,422	(1,686,077)
<i>Net Assets End of Year</i>	\$ (738,041)	\$ 594,422

Overall revenue decreased approximately \$900,000 over fiscal year 2005. Program expenses increased from \$19.4 million in 2005 to \$22.1 million in 2006. The increase in total program expenses reflects increases in salaries, fringe benefits (health insurance and retirement), purchased services (utilities and special education costs) and other expenditures.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$14,119,887 or 67.9% of total revenue, which the most significant portion of the general revenue being local property taxes. The remaining amount of revenue received was in the form of program revenue which equaled \$6,667,997 or 32.1% of total revenue.

Instructional expenses comprise 56% of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 42%. The remaining 2% of program expenses is used for other obligations of the School District such as extracurricular activities.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$20.8 million and expenses of \$22.1 million.

(Table 3)
Governmental Activities

	2006		2005-Restated	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 12,335,864	\$ 6,878,755	\$ 10,970,488	\$ 5,448,322
Support Services:				
Pupils and Instructional Staff	1,892,977	1,445,277	1,725,007	1,278,524
Board of Education, Administration				
Fiscal and Business	2,566,013	2,565,263	2,213,978	2,213,978
Operation and Maintenance of Plant	2,896,946	2,896,946	2,073,866	2,073,866
Pupil Transportation and Central	973,262	973,262	954,033	934,911
Operation of Non-Instructional Services	304,488	304,488	239,006	9,872
Food Service	639,371	13,610	628,383	15,500
Extracurricular Activities	396,598	259,921	351,162	218,358
Interest Charges	114,828	114,828	228,927	228,927
	\$ 22,120,347	\$ 15,452,350	\$ 19,384,850	\$ 12,422,258
Total	\$ 22,120,347	\$ 15,452,350	\$ 19,384,850	\$ 12,422,258

Instruction, Pupils and Instructional Staff a comprise 64.3% of governmental program expenses. Pupil Transportation and the Operation/Maintenance of Plant account for 17.5% of governmental program expenses.

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

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues were \$20,892,119 and expenditures were \$21,667,601. The School District's only major fund, the general fund, reported an insignificant reduction in fund balance in the amount of \$44,441. The reduction in fund balance (\$701,108) reported in the building nonmajor capital project fund was the primary cause to the overall reduction in fund balance for governmental funds. This reduction was the result of the expenditure of note proceeds, received in the prior year, for new HVAC units within School District buildings.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was \$18.3 million, which is under the original budget estimate of \$21.4 million. Final appropriations of \$18.6 million were under original appropriations of \$19.8 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$3.7 million invested in land, building improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005 net of depreciation.

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

	Governmental Activities	
	2006	2005
Land	\$ 544,210	\$ 544,210
Buildings and Improvements	2,299,498	2,427,697
Furniture and Equipment	659,700	630,220
Vehicles	206,909	238,322
Totals	\$ 3,710,317	\$ 3,840,449

The approximately \$130,000 decrease in capital assets was attributable to depreciation expense and disposals exceeding additional purchases. See Note 10 to the basic financial statements for detail on the School District's capital assets.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2006, this amounted to \$325,135 for each set aside. The School District did not incur enough qualifying disbursements to completely offset these requirements for capital improvement and textbooks. See Note 20 for additional information.

Debt

At June 30, 2006, the School District had \$3,998,991 in bonds and notes outstanding with \$355,475 due within one year. During fiscal year 2006, \$407,207 of general obligation bonds and notes were retired. Table 5 summarizes bonds and notes outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2006	2005
Notes Payable:		
HB264 Energy Conservation Loan	\$ 564,415	\$ 642,132
Energy Conservation Loan Phase #2	605,043	681,587
Energy Conservation Loan Phase #3	709,533	709,533
	1,878,991	2,033,252
General Obligation Bonds Payable:		
School Improvement Bonds	2,120,000	2,325,000
Bus Acquisition Bonds, Series 2000	0	47,946
	2,120,000	2,372,946
Total Debt	\$ 3,998,991	\$ 4,406,198

HB#264 Energy Conservations Loans were used for window replacement at the Middle School and the Junior High School. All buildings were upgraded with more cost efficient lighting. The school improvement bonds were for improvements to the buildings and the bus acquisition bonds were use to purchase new buses. See Note 16 to the basic financial statements for detail on the School District's long-term obligations.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Current Issues

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, at Coventry Local School District, 3257 Cormany Road, Akron, OH 44319.

Coventry Local School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 2,598,920
Cash and Cash Equivalents in Segregated Accounts	52,765
Receivables:	
Accounts	391,654
Taxes	9,398,873
Intergovernmental	121,591
Nondepreciable Capital Assets	544,210
Depreciable Capital Assets (Net)	<u>3,166,107</u>
<i>Total Assets</i>	<u>16,274,120</u>
Liabilities:	
Accounts Payable	164,383
Accrued Wages and Benefits	1,697,992
Intergovernmental Payable	650,094
Accrued Vacation Leave Payable	30,474
Matured Compensated Absences Payable	102,985
Unearned Revenue	8,551,356
Claims Payable	758,593
Long -Term Liabilities:	
Due Within One Year	533,531
Due in More Than One Year	<u>4,522,753</u>
<i>Total Liabilities</i>	<u>17,012,161</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,546,693
Restricted for:	
Debt Service	28,764
Capital Projects	48,182
Other Purposes	236,303
Set Asides	843,124
Unrestricted	<u>(3,441,107)</u>
<i>Total Net Assets</i>	<u>\$ (738,041)</u>

See accompanying notes to basic financial statements.

Coventry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 9,485,943	\$ 4,290,499	\$ 176,249	\$ (5,019,195)
Special	1,962,526	422,686	554,475	(985,365)
Vocational	265,404	13,200	0	(252,204)
Other	621,991	0	0	(621,991)
Support Services:				
Pupils	959,204	0	0	(959,204)
Instructional Staff	933,773	0	447,700	(486,073)
Board of Education	89,825	0	0	(89,825)
Administration	1,977,391	0	750	(1,976,641)
Fiscal	479,602	0	0	(479,602)
Business	19,195	0	0	(19,195)
Operation and Maintenance of Plant	2,896,946	0	0	(2,896,946)
Pupil Transportation	821,830	0	0	(821,830)
Central	151,432	0	0	(151,432)
Operation of Non-Instructional Services	304,488	0	0	(304,488)
Food Service	639,371	388,650	237,111	(13,610)
Extracurricular Activities	396,598	136,677	0	(259,921)
Interest and Fiscal Charges	114,828	0	0	(114,828)
<i>Total Governmental Activities</i>	<u>\$ 22,120,347</u>	<u>\$ 5,251,712</u>	<u>\$ 1,416,285</u>	<u>(15,452,350)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				8,769,916
Debt Service				360,144
Grants and Entitlements not Restricted to Specific Programs				4,763,859
Investment Earnings				143,652
Miscellaneous				82,316
<i>Total General Revenues</i>				<u>14,119,887</u>
<i>Change in Net Assets</i>				(1,332,463)
<i>Net Assets Beginning of Year-Restated (See Note 22)</i>				<u>594,422</u>
<i>Net Assets End of Year</i>				<u>\$ (738,041)</u>

See accompanying notes to basic financial statements.

Coventry Local School District
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,354,738	\$ 379,230	\$ 1,733,968
Cash and Cash Equivalents in Segregated Accounts	0	52,765	52,765
Restricted Cash and Cash Equivalents	843,124	0	843,124
Receivables:			
Accounts	391,654	0	391,654
Taxes	9,079,882	318,992	9,398,874
Interfund	306,785	0	306,785
Intergovernmental	0	121,591	121,591
<i>Total Assets</i>	<u>\$ 11,976,183</u>	<u>\$ 872,578</u>	<u>\$ 12,848,761</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 142,891	\$ 21,492	\$ 164,383
Accrued Wages and Benefits	1,583,372	114,620	1,697,992
Interfund Payable	0	306,785	306,785
Intergovernmental Payable	614,188	35,906	650,094
Accrued Vacation Payable	30,474	0	30,474
Matured Compensated Absences Payable	102,985	0	102,985
Deferred Revenue	8,770,787	324,208	9,094,995
<i>Total Liabilities</i>	11,244,697	803,011	12,047,708
Fund Balances:			
Reserved for Encumbrances	252,599	93,664	346,263
Reserved for Tax Revenue Unavailable for Appropriation	700,749	24,618	725,367
Reserved for Textbooks/Instructional Materials	319,074	0	319,074
Reserved for Capital Improvement	524,050	0	524,050
Unreserved:			
Undesignated, Reported in:			
General Fund	(1,064,986)	0	(1,064,986)
Special Revenue Funds	0	(50,065)	(50,065)
Capital Projects Funds	0	1,350	1,350
<i>Total Fund Balances</i>	<u>731,486</u>	<u>69,567</u>	<u>801,053</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,976,183</u>	<u>\$ 872,578</u>	<u>\$ 12,848,761</u>

See accompanying notes to basic financial statements.

Coventry Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2006*

Total Governmental Fund Balances	\$	801,053
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		3,710,317
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 29,835	
Excess Cost	391,653	
Delinquent Property Taxes	122,150	543,638
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds and Notes	(3,998,991)	
Capital Leases	(43,624)	(4,042,615)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(949,669)	
Early Retirement Incentive	(64,000)	(1,013,669)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(736,765)
 Net Assets of Governmental Activities	 \$	 <u><u>(738,041)</u></u>

See accompanying notes to 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, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,876,645	\$ 364,516	\$ 9,241,161
Intergovernmental	4,763,860	1,378,325	6,142,185
Investment Income	143,652	0	143,652
Tuition and Fees	4,417,489	225,828	4,643,317
Extracurricular Activities	17,328	113,338	130,666
Charges for Services	87,916	388,648	476,564
Rentals	720	15,330	16,050
Gifts and Donations	4,120	16,734	20,854
Miscellaneous	59,696	17,974	77,670
<i>Total Revenues</i>	18,371,426	2,520,693	20,892,119
Expenditures:			
Current:			
Instruction:			
Regular	8,486,870	540,616	9,027,486
Special	1,535,946	332,220	1,868,166
Vocational	246,794	0	246,794
Other	623,302	0	623,302
Support Services:			
Pupils	839,599	83,430	923,029
Instructional Staff	674,254	207,879	882,133
Board of Education	89,825	0	89,825
Administration	1,848,928	62,245	1,911,173
Fiscal	475,161	0	475,161
Business	19,195	0	19,195
Operation and Maintenance of Plant	1,998,852	3,018	2,001,870
Pupil Transportation	805,093	3,520	808,613
Central	142,317	7,694	150,011
Operation of Non-Instructional Services	21,863	287,451	309,314
Food Service	14,002	625,369	639,371
Extracurricular Activities	317,933	75,366	393,299
Capital Outlay	32,819	702,682	735,501
Debt Service:			
Principal Retirement	195,584	252,946	448,530
Interest and Fiscal Charges	4,724	110,104	114,828
<i>Total Expenditures</i>	18,373,061	3,294,540	21,667,601
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,635)	(773,847)	(775,482)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	2,996	0	2,996
Transfers In	0	45,802	45,802
Transfers Out	(45,802)	0	(45,802)
<i>Total Other Financing Sources and (Uses)</i>	(42,806)	45,802	2,996
<i>Net Change in Fund Balance</i>	(44,441)	(728,045)	(772,486)
<i>Fund Balance (Deficit) at Beginning of Year</i>	775,927	797,612	1,573,539
<i>Fund Balance (Deficit) at End of Year</i>	\$ 731,486	\$ 69,567	\$ 801,053

See accompanying notes to basic financial statements.

Coventry Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds \$ (772,486)

*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 additions in the current period.

Capital Asset Additions	\$ 170,098	
Current Year Depreciation	(298,587)	(128,489)

Net effect of transactions involving disposal of capital assets are not reflected in the funds. (1,643)

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

Grants	21,033	
Excess Costs	(14,166)	
Delinquent Property Taxes	(111,102)	(104,235)

Repayment of note and bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Note Principal	154,261	
Capital Leases	41,323	
Bond Principal	252,946	448,530

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

Compensated Absences		(95,226)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

(678,914)

Change in Net Assets of Governmental Activities \$ (1,332,463)

See accompanying notes to 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, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 8,662,458	\$ 8,892,275	\$ 8,786,647	\$ (105,628)
Intergovernmental	5,050,258	4,783,209	4,783,209	0
Investment Income	240,350	148,191	148,191	0
Tuition and Fees	7,164,685	4,756,700	4,417,489	(339,211)
Extracurricular	28,104	17,328	17,328	0
Rent	0	720	720	0
Charges for Services	142,590	87,916	87,916	0
Gifts and Donations	6,682	4,120	4,120	0
Miscellaneous	96,820	59,696	59,696	0
<i>Total Revenues</i>	<u>21,391,947</u>	<u>18,750,155</u>	<u>18,305,316</u>	<u>(444,839)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,192,310	8,607,426	8,607,425	1
Special	1,735,660	1,625,223	1,625,224	(1)
Vocational	259,613	243,094	243,094	0
Other	677,647	634,531	634,530	1
Support Services				
Pupils	894,200	837,304	837,304	0
Instructional Staff	707,713	662,683	662,683	0
Board of Education	106,429	99,656	99,657	(1)
Administration	1,972,899	1,847,367	1,847,368	(1)
Fiscal	505,922	473,731	473,731	0
Business	20,499	19,195	19,195	0
Operation and Maintenance of Plant	2,157,196	2,019,940	2,019,939	1
Pupil Transportation	856,602	802,098	802,098	0
Central	152,881	143,154	143,154	0
Operation of Non-Instructional Services	39,925	37,385	37,385	0
Food Service	14,953	14,002	14,002	0
Extracurricular Activities	329,388	308,430	308,430	0
Capital Outlay	42,477	39,774	39,774	0
Debt Service				
Principal Retirement	130,694	122,378	122,378	0
Interest & Fiscal Charges	34,049	31,883	31,883	0
<i>Total Expenditures</i>	<u>19,831,057</u>	<u>18,569,254</u>	<u>18,569,254</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	1,560,890	180,901	(263,938)	(444,839)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	4,859	2,996	2,996	0
Refund of Prior Year Expenditures	29,822	18,387	18,387	0
Advance In	524,867	323,614	323,614	0
Transfers Out	(48,914)	(45,802)	(45,802)	0
Advance Out	(327,122)	(306,308)	(306,308)	0
<i>Total Other Financing Sources (Uses)</i>	<u>183,512</u>	<u>(7,113)</u>	<u>(7,113)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,744,402	173,788	(271,051)	(444,839)
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,674,054	1,674,054	1,674,054	0
Prior Year Encumbrances Appropriated	467,340	467,340	467,340	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,885,796</u>	<u>\$ 2,315,182</u>	<u>\$ 1,870,343</u>	<u>\$ (444,839)</u>

See accompanying notes to basic financial statements.

Coventry Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2006

	Governmental Activities Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 21,828
Liabilities	
Claims Payable	758,593
Net Assets	
Unrestricted	\$ (736,765)

See accompanying notes to basic financial statements.

Coventry Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activities Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 2,449,648
Operating Expenses:	
Purchased Services	325,116
Claims	2,803,446
<i>Total Operating Expenses</i>	3,128,562
<i>Change in Net Assets</i>	(678,914)
<i>Net Assets (Deficit) Beginning of Year</i>	(57,851)
<i>Net Assets (Deficit) End of Year</i>	\$ (736,765)

See accompanying notes to basic financial statements.

Coventry Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 2,449,648
Cash Paid for Goods and Services	(325,116)
Cash Paid for Claims	(2,579,698)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(455,166)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(455,166)
<i>Cash and Cash Equivalents at Beginning of Year</i>	476,994
<i>Cash and Cash Equivalents at End of Year</i>	\$ 21,828
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (678,914)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	223,748
<i>Total Adjustments</i>	223,748
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (455,166)

See accompanying notes to basic financial statements.

Coventry Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 35,593</u>	<u>\$ 67,819</u>
Liabilities:		
Due to Students	<u>\$ 0</u>	<u>\$ 67,819</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$ 35,593</u>	

See accompanying notes to basic financial statements.

Coventry Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For Fiscal Year Ended June 30, 2006

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	<u>\$ 498</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>0</u>
<i>Change in Net Assets</i>	498
<i>Net Assets Beginning of Year</i>	<u>35,095</u>
<i>Net Assets End of Year</i>	<u><u>\$ 35,593</u></u>

See accompanying notes to basic financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 1 - Description of The School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's six instructional support facilities staffed by 124 classified employees and 184 certified full-time teaching personnel who provide services to 2,410 students and other community members.

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

Reporting Entity

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes.

The School District participates in three jointly governed organizations and one public entity risk pool. These organizations include Northeast Ohio Network for Educational Technology (NEONET), Portage Lakes Career Center, Interval Opportunity School, and the one public entity risk pool is the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 11 and 19 to the basic financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", GASB Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47 "*Accounting for Termination Benefits*."

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

B. Fund Accounting

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

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

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

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

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the School District's proprietary fund:

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred/Unearned Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. See Note 18 for a summary of the School District's deferred/unearned revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to certificates of deposits and repurchase agreements.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$143,652 which includes \$37,960 assigned from other School District funds.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and capital improvements. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of 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	Governmental Activities Estimated Lives
Buildings and Improvements	10 - 30 Years
Furniture and Equipment	5 - 20 Years
Vehicles	13 Years

H. Interfund Balances

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

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

the employer will compensate the employees for the benefits through paid time off or some other means. These amounts are reported on the face of the statement of basic financial statements as "Accrued Vacation Leave Payable."

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

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

K. Net Assets

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

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

L. Fund Balance Reserves

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

N. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Estimates

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

P. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Note 3 - Fund Deficits

Fund and net asset balances at June 30, 2006 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
Nonmajor Governmental Funds:		
District Managed Student Activities	\$ 590	\$ 590
Auxiliary Services	6,632	6,632
Entry Year Program	87	87
Title-I Disadvantaged Children	1,168	1,168

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

Note 4 - Budgetary Basis of Accounting

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

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

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance

GAAP Basis	\$ (44,441)
Net Adjustment for Revenue Accruals	(47,723)
Advance In	323,614
Advance Out	(306,308)
Net Adjustment for Expenditure Accruals	231,487
Adjustment for Encumbrances	<u>(427,680)</u>
Budget Basis	<u>\$ (271,051)</u>

Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association,

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

- Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
 4. Bonds and other obligations of the State of Ohio;
 5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
 6. The State Treasurer's investment pool (STAROhio);
 7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
 8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it.

Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$2,705,097 and the bank balance was \$2,791,113. Of the bank balance:

1. \$240,739 of the bank balance was covered by depository insurance; and
2. \$2,550,374 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Investments - Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

	Fair Value	Maturity 0-12 Months
Sweep Repurchase Agreement	\$ 50,000	\$ 50,000

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

Credit Risk: The School District investments during June 30, 2006 included certificate of deposits with maturities of one year or less and in an overnight repurchase account. None of which are rated by Standard & Poor's or Moody's Investors Service.

Concentration of Credit Risk: The School District investment policy is to be diversified enough to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue or a specific class of securities. At various times during the year, the School District's certificates of deposits and overnight repurchase account exceeded more than 5 percent of the School District's investments. These certificates of deposit were insured by the FDIC or with pledged collateral, held and in the name of the pledging institution in which the deposit and investments are held.

Note 6 - Property Taxes

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 259,375,320	80.72%
Commercial/Industrial	47,850,980	14.89%
Public Utility Personal	7,761,430	2.42%
Tangible Personal Property	6,323,513	1.97%
Total	\$ 321,311,243	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$65.32	

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

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

The Summit County Fiscal Officer collects property tax on behalf of all taxing districts within the county. The County Fiscal Officer periodically advances to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2006 is available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable are recorded as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount measurable and available to the School District at June 30, 2006, was \$725,367.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 7 - Interfund Transfers

Transfers made during fiscal year 2006 were as follows:

	Transfer In	Transfer Out
General Fund	\$ 0	\$ 45,802
Nonmajor Governmental Funds:		
Food Service	10,000	0
District Managed Student Activity	35,802	0
Total	\$ 45,802	\$ 45,802

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

Note 8 - Interfund Balances

Interfund balances at June 30, 2006 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 306,785	\$ 0
Nonmajor Governmental Funds:		
Food Service	0	306,785
Total	\$ 306,785	\$ 306,785

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

Note 9 - Receivables

Receivables at June 30, 2006 consisted of taxes, accounts, interfund, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> 6/30/05	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 6/30/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 544,210	\$ 0	\$ 0	\$ 544,210
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	7,522,261	0	0	7,522,261
Furniture and Equipment	2,417,072	162,098	(57,923)	2,521,247
Vehicles	770,892	8,000	0	778,892
Total Capital Assets, being depreciated	10,710,225	170,098	(57,923)	10,822,400
Less Accumulated Depreciation:				
Buildings and Improvements	(5,094,564)	(128,199)	0	(5,222,763)
Furniture and Equipment	(1,786,852)	(130,975)	56,280	(1,861,547)
Vehicles	(532,570)	(39,413)	0	(571,983)
Total Accumulated Depreciation	(7,413,986)	(298,587)	56,280	(7,656,293)
Total Capital Assets being depreciated, net	3,296,239	(128,489)	(1,643)	3,166,107
Governmental Capital Assets, net	<u>\$ 3,840,449</u>	<u>\$ (128,489)</u>	<u>\$ (1,643)</u>	<u>\$ 3,710,317</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 85,271
Special	10,208
Vocational	859
Other	119
Support Services:	
Pupil	2,572
Instructional Staff	9,242
Administration	487
Operation and Maintenance of Plant	178,235
Operation of Non Instructional	5,319
Food Service	4,976
Extracurricular Activities	1,299
Total Depreciation	\$ 298,587

Note 11 - Risk Management

Property and Liability

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

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

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

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

Workers' Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Self Insurance

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2006, a total expense of \$3,128,562 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$758,593 reported in the fund at June 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as interfund transactions.

Changes in the fund's claims liability amount in 2005 and 2006 were:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2006	\$	534,845	2,803,446	2,579,698	\$ 758,593
2005	\$	656,499	1,929,688	2,051,342	\$ 534,845

Note 12 - Compensated Absences

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$363,804, \$333,972 and \$353,292 respectively; 42.88% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$207,804 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,180,743, \$1,104,643 and \$1,045,584, respectively; 80% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$8,211 made by the School District and \$11,849 made by the plan members. \$238,701 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio Public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all members of the Board of Education have elected the School Employees Retirement System. The Board's liability is 14% of wages paid.

Note 14 - Postemployment Benefits

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$84,925 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$116,508.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2005 (the latest information available) were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. Litigation

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

Note 16 - Long - Term Obligations

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

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/06</u>	<u>Due Within One Year</u>
Governmental Activities					
<i>Notes Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 642,132	\$ 0	\$ (77,717)	\$ 564,415	\$ 52,201
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2005	681,587	0	(76,544)	605,043	49,189
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	<u>709,533</u>	<u>0</u>	<u>0</u>	<u>709,533</u>	<u>34,085</u>
Total Notes Payable	2,033,252	0	(154,261)	1,878,991	135,475
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	2,325,000	0	(205,000)	2,120,000	220,000
Bus Acquisition Bonds, Series 2000, 5.91%, Due 7/1/2005	<u>47,946</u>	<u>0</u>	<u>(47,946)</u>	<u>0</u>	<u>0</u>
Total General Obligation Bonds Payable	2,372,946	0	(252,946)	2,120,000	220,000
<i>Other Long-Term Liabilities</i>					
Capital Leases	84,947	0	(41,323)	43,624	43,624
Compensated Absences	854,443	197,217	(101,991)	949,669	118,432
Early Retirement Incentive	64,000	48,000	(48,000)	64,000	16,000
Total Other Long-Term Liabilities	<u>1,003,390</u>	<u>245,217</u>	<u>(191,314)</u>	<u>1,057,293</u>	<u>178,056</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,409,588</u>	<u>\$ 245,217</u>	<u>\$ (598,521)</u>	<u>\$ 5,056,284</u>	<u>\$ 533,531</u>

Energy Conservation Notes – On January 10, 2000, the School District issued \$834,205 for the purpose of providing energy conservation measures for the School District. The bonds were issued for a fifteen year period

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

with final maturity during fiscal 2015. On March 1, 2000, the School District issued another \$842,535 for energy conservation measures for a fifteen year period with final maturity during fiscal year 2016. On June 13, 2005 the School District issued \$709,533 for the purpose making energy improvements to various school buildings in the district. The bonds were issued for a fifteen year period with final maturity during fiscal 2020.

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

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

The energy conservation notes, school improvement bonds and the bus acquisition bonds will be paid from the debt service fund. The compensated absences and early retirement incentive will be paid from the funds which the employee’s salaries are paid. In prior years this has primarily been paid by the general fund. Capital leases have been paid from the general fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	School Improvement		
	Principal	Interest	Total
2007	220,000	95,475	315,475
2008	230,000	84,788	314,788
2009	245,000	73,507	318,507
2010	255,000	61,632	316,632
2011	270,000	49,163	319,163
2012-2014	900,000	65,549	965,549
Total	<u>\$ 2,120,000</u>	<u>\$ 430,114</u>	<u>\$ 2,550,114</u>

Principal and interest requirements to retire notes outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Energy Conversation Loans		
	Principal	Interest	Total
2007	135,475	84,948	220,423
2008	141,601	78,824	220,425
2009	148,002	72,422	220,424
2010	154,693	65,730	220,423
2011	161,687	58,737	220,424
2012-2016	847,207	177,196	1,024,403
2017-2021	290,326	40,532	330,858
Total	<u>\$ 1,878,991</u>	<u>\$ 578,389</u>	<u>\$ 2,457,380</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Note 17 - Capitalized Leases

Capital lease obligations relate to computer equipment which are leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No.13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006.

Year	Amount
2007	\$ 46,051
Less Amount Representing Interest	2,427
Present Value of Minimum Lease Payments	\$ 43,624

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

Note 18 – Deferred/Unearned Revenue

Deferred/unearned revenue at June 30, 2006 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 8,551,356	\$ 8,673,506
Excess Cost		391,654
Grants Receivable	0	29,835
Deferred/Unearned Revenue	\$ 8,551,356	\$ 9,094,995

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 19 - Jointly Governed Organizations and Public Entity

Northeast Ohio Network for Educational Technology

The Northeastern Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the

Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2006 the School District paid approximately \$57,578 to NEONET for basic service charges.

Portage Lakes Career Center

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

Interval Opportunity School

The Interval Opportunity School is a jointly governed organization of three area public districts, to provide "at risk students" with a better opportunity to succeed in both their academic and social maturation.

Each member district pays an annual fee based on the number of students serviced. The Interval Opportunity School is governed by a Board of Directors comprised of the superintendents from Portage Lakes Career Center, Green Local School District and Coventry Local School District. The continued existence of the Interval Opportunity School is not dependent on the School District's continued participation and no equity interest exists.

Note 20 - Statutory Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2005	\$ 442,997	\$ 336,855	\$ 779,852
Current Year Set-Aside Requirement	325,135	325,135	650,270
Qualifying Disbursements	(244,082)	(342,916)	(586,998)
Total	<u>\$ 524,050</u>	<u>\$ 319,074</u>	<u>\$ 843,124</u>
Cash Balance Carried Forward FY 2007	<u>\$ 524,050</u>	<u>\$ 319,074</u>	<u>\$ 843,124</u>
Restricted Cash			<u>\$ 843,124</u>

Note 21 - Fiscal Watch

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

Note 22 – Restatement of Net Assets

For the period ending June 30, 2005 net assets were understated. This understatement was caused by not recognizing charges for services related to excess costs (tuition) for students attending the School District who live in a different school district. The following is summary of the effect on the net asset amount reported in the basic financial statements for the period ending June 30, 2005:

Net Assets, June 30, 2005	\$ 200,590
Increase in accounts receivable	393,832
Adjusted Net Assets, June 30, 2005	<u>\$ 594,422</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 11, 2006

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coventry Local School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coventry Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Coventry Local School District in a separate letter dated December 11, 2006.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 11, 2006

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

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

Compliance

We have audited the compliance of Coventry Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the School District's major program for the year ended June 30, 2006. The School District's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Coventry Local School District's management. Our responsibility is to express an opinion on Coventry Local School District's compliance based on our audit.

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

In our opinion, Coventry Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Coventry Local School District as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 11, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

**COVENTRY LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2004	0	3,147	\$ 0
Title I	84.010	C1-S1-2005	12,869	22,147	0
Title I	84.010	C1-S1-2006	76,381	70,560	0
Title I-D	84.010	C1-SD-2005	0	28,525	0
Title I-D	84.010	C1-SD-2004	0	201	0
Total Title I			89,250	124,580	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2005	95,048	78,771	0
IDEA-B	84.027	6B-SF-2006	446,624	414,800	0
Total IDEA-B			541,672	493,571	0
Preschool Grants	84.173	PG-S1-2006	16,254	14,543	0
Preschool Grants	84.173	PG-S1-2005	1,766	2,776	0
Total Preschool Grants			18,020	17,319	0
<i>Total Special Education Cluster</i>					
			559,692	510,890	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2006	6,787	6,787	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2005	4,833	9,758	0
Total Safe and Drug-Free Schools and Communities			11,620	16,545	0
Title V	84.298	C2-S1-2006	8,933	7,417	0
Title V	84.298	C2-S1-2005	2,908	936	0
Total Title V			11,841	8,353	0
Title II-D	84.318	TJ-S1-2006	2,488	1,905	0
Title II-D	84.318	TJ-S1-2004	0	2,284	0
Title II-D	84.318	TJ-S1-2005	1,500	2,961	0
Total Title II-D			3,988	7,150	0
Title II-A	84.367	TR-S1-2006	60,662	60,569	0
Title II-A	84.367	TR-S1-2005	5,235	5,220	0
Title II-A	84.367	TR-S1-2004	0	299	0
Title II-A	84.367	TJ-S1-02-04	0	1,013	0
Total Title II-A			65,897	67,101	0
Total Department of Education			742,288	734,619	0
U.S. Department of Health and Human Services (Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)					
Medical Assistance Program/CAFS	93.778		21,206	21,206	0
State Childrens Health Insurance Program	93.767		1,609	1,609	0
Total Mental Retardation and Development Disabilities			22,815	22,815	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
<i>Nutrition Cluster</i>					
School Breakfast Program	10.553		4,063	4,063	0
National School Lunch Program (A)	10.555		212,391	212,391	0
Total Nutrition Cluster			216,454	216,454	0
Team Nutrition Grants	10.574		490	490	0
Total Team Nutrition Grants			490	490	0
Food Distribution Program (A)(B)	10.550		40,664	0	40,664
Total Food Distribution Program			40,664	0	40,664
Total Federal Assistance			\$ 1,022,711	\$ 974,378	\$ 40,664

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

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

**COVENTRY LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.



Mary Taylor, CPA
Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 1, 2007