

Coventry Local School District
Audited Financial Statements

June 30, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 1, 2011

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COVENTY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

JUNE 30, 2010

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COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

JUNE 30, 2010

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2010

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Hea & Associates, Inc.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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, 2010. 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 2010 are as follows:

- General Revenues accounted for \$13,976,421 million in revenue or 62.8 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$8,282,234 or 37.2 percent of total revenues of \$22,258,655.
- Total program expenses were \$22,638,541 in Governmental Activities.
- In total, net assets of Governmental Activities decreased \$379,886 from 2009.
- Outstanding bonded debt and notes increased from \$2,878,870 to \$4,454,352 through the issuance of long-term tax anticipation notes.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

A question typically asked about the School District's finances "How did we do financially during fiscal year 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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

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

The government-wide financial statements begin on page 11.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the food service fund, which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for all funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with its budget.

The governmental fund financial statements begin on page 13.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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

Reporting the School District's Fiduciary Responsibilities

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

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 2010 compared to 2009:

(Table 1)
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$ 11,600,878	\$ 9,933,812
Capital Assets	4,256,318	4,386,112
<i>Total Assets</i>	15,857,196	14,319,924
Liabilities		
Long-Term Liabilities	5,542,232	5,980,750
Other Liabilities	13,949,225	11,593,549
<i>Total Liabilities</i>	19,491,457	17,574,299
Net Assets		
Invested in Capital		
Assets, Net of Debt	1,661,316	1,483,112
Restricted	1,132,715	976,429
Unrestricted (Deficit)	(6,428,292)	(5,713,916)
<i>Total Net Assets</i>	\$ (3,634,261)	\$ (3,254,375)

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Overall, assets increased by \$1,537,272 and liabilities increased \$1,917,158 resulting in a decrease in net assets of \$379,886. Taxes and intergovernmental receivables both increased over fiscal year 2009. A long-term tax anticipation note was issued during fiscal year 2010.

Table 2 shows the changes in net assets for fiscal year 2010. 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	
	2010	2009
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 5,815,486	\$ 5,346,086
Operating Grants, Contributions and Interest	2,466,748	1,986,397
Capital Grants	0	25,777
<i>General Revenue:</i>		
Property Taxes	8,427,186	9,519,854
Grants and Entitlements	5,423,456	5,204,376
Payments in Lieu of Taxes	64,220	0
Other	61,559	90,300
Total Revenues	22,258,655	22,172,790
Program Expenses		
Instruction	13,017,345	12,661,930
Support Services	7,879,611	8,729,379
Operation of Non-Instructional Services:		
Food Service	805,559	818,458
Community Services	197,446	312,478
Extracurricular Activities	429,333	475,619
Interest and Fiscal Charges	309,247	281,132
Total Expenses	22,638,541	23,278,996
Increase in Net Assets	(379,886)	(1,106,206)
Net Assets Beginning of Year	(3,254,375)	(2,148,169)
Net Assets End of Year	\$ (3,634,261)	\$ (3,254,375)

Overall revenue increased by \$85,865 from fiscal year 2009. Operating grants and contributions increased by over \$400,000 from fiscal year 2009 due to the receipt of grant revenue from the American Recovery and Reinvestment Act which was new in fiscal year 2010. Program expenses decreased \$640,455 from fiscal year 2009. This decrease in total program expenses reflects decreases in the area of student support services.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$13,976,421 or 62.8 percent 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 \$8,282,234 or 37.2 percent of total revenue.

Instructional expenses comprise 57.5% of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff, operation and maintenance of plant, food service and community services encompassed an additional 39.2%. The remaining 3.3% of program expenses is used for other obligations of the School District such as extracurricular activities and interest and fiscal charges.

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 \$22,258,655 and expenses of \$22,638,541.

(Table 3)
Governmental Activities

	2010	2009	2010	2009
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
Instruction	\$ 13,017,345	\$ 12,661,930	\$ (6,726,040)	\$ (6,751,212)
Support Services:				
Pupils and Instructional Staff	2,058,836	2,410,714	(2,022,877)	(2,168,883)
Board of Education, Administration				
Fiscal, Business and Central	2,893,799	2,529,273	(2,082,993)	(2,425,306)
Operation and Maintenance of Plant	1,970,579	2,584,910	(1,970,579)	(2,584,910)
Pupil Transportation	956,397	1,204,482	(956,397)	(1,168,979)
Operation of Non-Instructional Services:				
Food Service	805,559	818,458	77,138	(9,933)
Community Services	197,446	312,478	(11,512)	(106,981)
Extracurricular Activities	429,333	475,619	(353,800)	(423,400)
Interest Charges	309,247	281,132	(309,247)	(281,132)
Total	\$ 22,638,541	\$ 23,278,996	\$ (14,356,307)	\$ (15,920,736)

Instruction and support services for pupils and instructional staff comprise 66.6 percent of governmental program expenses. Pupil transportation, fiscal, business and central and the operation and maintenance of plant account for 25.7 percent 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, 2010

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues and other financing sources were \$22,366,525 and expenditures and other financing uses were \$22,780,986. The School District's only major fund, the general fund, reported an decrease in fund balance in the amount of \$560,971, which was largely due to an increase in revenue from tuition and fees.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, there were several changes to the School District general fund budget. The School District bases its budgets according to needs of programs and functions.

For the general fund, final budgeted basis revenue, including other financing sources was \$20,608,942, which is over the original budget estimate of \$18,021,402. Of the \$2,587,540 increase, most was attributable to an increase of intergovernmental revenue and tuition and fees. Final budget basis revenue, including other financing sources, of \$20,608,942 was \$1,841,102 lower than the actual amount of \$22,450,044. Taxes and intergovernmental revenue were more than was anticipated in the final budget.

Final appropriations, including other financing uses, of \$20,499,999 were over original appropriations of \$18,035,524. This \$2,464,475 increase was primarily attributed to the repayment of a tax anticipation note issued during the fiscal year. Actual expenditures, including other financing uses, of \$22,025,570 were \$1,525,571 higher than the final budget amount of \$20,499,999 largely in the areas of regular and special instruction and operation and maintenance of plant which were higher than the amounts that were anticipated in the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$4,256,318 invested in land, building improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared with 2009 net of depreciation.

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

	Governmental Activities	
	2010	2009
Land	\$ 544,210	\$ 544,210
Buildings and Improvements	3,133,706	3,312,346
Furniture and Equipment	393,967	294,382
Vehicles	184,435	235,174
<i>Totals</i>	\$ 4,256,318	\$ 4,386,112

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The \$129,794 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 9 to the basic financial statements for detail on the School District's capital assets.

Set-Asides

Senate Bill 345 requires the School District to set aside \$171.96 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2010, this amounted to \$374,761 for each set aside. The School District did not incur enough qualifying disbursements to completely offset these requirements for textbooks. See Note 19 for additional information.

Debt

At June 30, 2010, the School District had \$4,454,352 in bonds and notes outstanding with \$828,722 due within one year. During fiscal year 2010, \$409,693 of general obligation bonds and notes were retired. Table 5 summarizes bonds and notes outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2010	2009
Notes Payable:		
HB264 Energy Conservation Loan	\$ 340,975	400,581
Energy Conservation Loan Phase #2	394,536	450,703
Energy Conservation Loan Phase #3	563,666	602,586
	1,299,177	1,453,870
General Obligation Bonds Payable:		
School Improvement Bonds	1,170,000	1,425,000
Tax Anticipation Notes Payable	1,985,175	0
<i>Total Debt</i>	\$ 4,454,352	\$ 2,878,870

HB 264 Energy Conservations notes 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. See Note 16 to the basic financial statements for detail on the School District's long-term obligations. Tax anticipation notes were issued in fiscal year 2010 to pay current operations. See Note 15 for details on the tax anticipation notes.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Current Issues

Coventry Local School District is currently funded at 35 percent state revenue and 65 percent local revenue for operating expenses. One third of the student population is by open enrollment. Future projections show consistent enrollment. Special education funding has declined. Lastly, the School District loses revenue annually due to a decrease in tangible personal property taxes. The new funding system implemented in prior years resulted in FY2010 being funded at 98%. Because the district is currently on a transitional guarantee, any increases in funding will not result in any additional funds until the transitional guarantee is reduced to zero. It is anticipated that this will take two to three years. In the meantime, state revenue will remain flat-lined.

The School District, in turn, relies on its local property taxpayers. The last operating levy was passed in 2010, for 6.25 mills. It is a 5-year emergency levy. The five-year forecast shows a positive balance for the five-year period of FY2011 to FY2015. However, with the political change in the State Legislature and Governorship, cuts are expected in state funding for the new biennial budget that includes FY2012 and FY2013.

The School District implemented additional cuts in January of 2010 and was able to offset a projected deficit for June 30, 2010 and ended the fiscal year in the black on a cash basis.

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, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 929,749
Investments in Segregated Accounts	52,709
Receivables:	
Accounts	19,697
Taxes	9,979,270
Intergovernmental	575,629
Prepaid Items	43,824
Nondepreciable Capital Assets	544,210
Depreciable Capital Assets (Net)	<u>3,712,108</u>
<i>Total Assets</i>	<u>15,857,196</u>
Liabilities	
Accounts Payable	75,899
Accrued Wages and Benefits	1,954,054
Intergovernmental Payable	643,212
Accrued Interest Payable	75,527
Accrued Vacation Leave Payable	30,681
Matured Compensated Absences Payable	27,897
Deferred Revenue	8,656,174
Notes Payable	1,985,175
Claims Payable	500,606
Long -Term Liabilities:	
Due Within One Year	747,487
Due in More Than One Year	<u>4,794,745</u>
<i>Total Liabilities</i>	<u>19,491,457</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,661,316
Restricted for:	
Debt Service	39,730
Capital Projects	95
Other Purposes	152,138
Set Asides	940,752
Unrestricted	<u>(6,428,292)</u>
<i>Total Net Assets</i>	<u>\$ (3,634,261)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 9,493,600	\$ 5,320,288	\$ 211,381	\$ (3,961,931)
Special	2,800,999	80,863	665,372	(2,054,764)
Vocational	87,125	0	13,401	(73,724)
Student Intervention Services	27,380	0	0	(27,380)
Other	608,241	0	0	(608,241)
Support Services:				
Pupils	1,052,732	0	0	(1,052,732)
Instructional Staff	1,006,104	0	35,959	(970,145)
Board of Education	61,770	0	0	(61,770)
Administration	2,056,246	0	794,872	(1,261,374)
Fiscal	577,347	0	0	(577,347)
Business	47,839	0	10,934	(36,905)
Operation and Maintenance of Plant	1,970,579	0	0	(1,970,579)
Pupil Transportation	956,397	0	0	(956,397)
Central	150,597	0	5,000	(145,597)
Operation of Non-Instructional Services:				
Food Service Operations	805,559	338,852	543,845	77,138
Community Services	197,446	0	185,934	(11,512)
Extracurricular Activities	429,333	75,483	50	(353,800)
Interest and Fiscal Charges	309,247	0	0	(309,247)
<i>Total Governmental Activities</i>	<u>\$ 22,638,541</u>	<u>\$ 5,815,486</u>	<u>\$ 2,466,748</u>	<u>(14,356,307)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	8,111,760
Debt Service	315,426
Grants and Entitlements not	
Restricted to Specific Programs	5,423,456
Payments in Lieu of Taxes	64,220
Investment Earnings	2,082
Miscellaneous	59,477
<i>Total General Revenues</i>	<u>13,976,421</u>
<i>Change in Net Assets</i>	(379,886)
<i>Net Assets Beginning of Year</i>	<u>(3,254,375)</u>
<i>Net Assets End of Year</i>	<u>\$ (3,634,261)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 427,166	\$ 427,166
Investments in Segregated Accounts	0	52,709	52,709
Receivables:			
Accounts	19,697	0	19,697
Taxes	9,690,729	288,541	9,979,270
Interfund	286,894	0	286,894
Intergovernmental	252,147	323,482	575,629
Restricted Cash and Cash Equivalents	502,583	0	502,583
Prepaid Items	43,824	0	43,824
<i>Total Assets</i>	<u>\$ 10,795,874</u>	<u>\$ 1,091,898</u>	<u>\$ 11,887,772</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 39,332	\$ 36,567	\$ 75,899
Accrued Wages and Benefits	1,822,937	131,117	1,954,054
Interfund Payable	0	232,131	232,131
Intergovernmental Payable	595,832	47,380	643,212
Matured Compensated Absences Payable	27,897	0	27,897
Deferred Revenue	8,961,545	535,963	9,497,508
Notes Payable	1,985,175	0	1,985,175
<i>Total Liabilities</i>	<u>13,432,718</u>	<u>983,158</u>	<u>14,415,876</u>
Fund Balances			
Reserved for Encumbrances	92,476	83,405	175,881
Reserved for Property Taxes	958,562	28,541	987,103
Reserved for Textbooks/Instructional Materials	940,752	0	940,752
Unreserved, Undesignated, Reported in:			
General Fund	(4,628,634)	0	(4,628,634)
Special Revenue Funds	0	(3,301)	(3,301)
Capital Projects Funds	0	95	95
<i>Total Fund Balances</i>	<u>(2,636,844)</u>	<u>108,740</u>	<u>(2,528,104)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,795,874</u>	<u>\$ 1,091,898</u>	<u>\$ 11,887,772</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$	(2,528,104)
 <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.		4,256,318
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 224,977	
Excess Costs	229,378	
Delinquent Property Taxes	386,979	841,334
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(1,170,000)	
Loans Payable	(1,299,177)	
Capital Lease Payable	(1,425,000)	(3,894,177)
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.		
Accrued Vacation Leave Payable	(30,681)	
Compensated Absences	(1,134,455)	
Early Retirement Incentive	(513,600)	(1,678,736)
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(75,527)
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.		(555,369)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>(3,634,261)</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 8,105,715	\$ 316,432	\$ 8,422,147
Intergovernmental	5,279,051	2,473,946	7,752,997
Investment Income	2,082	200	2,282
Tuition and Fees	5,266,273	193,353	5,459,626
Extracurricular Activities	40,986	108,893	149,879
Charges for Services	39,238	338,852	378,090
Rentals	5,540	4,103	9,643
Gifts and Donations	1,200	31,964	33,164
Payments on Lieu of Taxes	64,220	0	64,220
Miscellaneous	58,668	809	59,477
<i>Total Revenues</i>	<u>18,862,973</u>	<u>3,468,552</u>	<u>22,331,525</u>
Expenditures			
Current:			
Instruction:			
Regular	8,892,526	518,233	9,410,759
Special	1,869,785	908,306	2,778,091
Vocational	85,561	0	85,561
Student Intervention Services	6,346	20,712	27,058
Other	604,185	4,056	608,241
Support Services:			
Pupils	1,025,534	33,520	1,059,054
Instructional Staff	760,559	249,564	1,010,123
Board of Education	61,770	0	61,770
Administration	1,832,395	178,809	2,011,204
Fiscal	571,702	0	571,702
Business	44,373	3,466	47,839
Operation and Maintenance of Plant	1,859,671	12,342	1,872,013
Pupil Transportation	908,719	28,707	937,426
Central	140,880	5,000	145,880
Operation of Non-Instructional Services:			
Food Service	0	803,212	803,212
Community Services	6,251	185,222	191,473
Extracurricular Activities	338,095	89,262	427,357
Capital Outlay	810	0	810
Debt Service:			
Principal Retirement	207,693	255,000	462,693
Interest and Fiscal Charges	172,089	61,631	233,720
<i>Total Expenditures</i>	<u>19,388,944</u>	<u>3,357,042</u>	<u>22,745,986</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(525,971)</u>	<u>111,510</u>	<u>(414,461)</u>
Other Financing Sources (Uses)			
Transfers In	0	35,000	35,000
Transfers Out	(35,000)	0	(35,000)
<i>Total Other Financing Sources and (Uses)</i>	<u>(35,000)</u>	<u>35,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(560,971)	146,510	(414,461)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(2,075,873)</u>	<u>(37,770)</u>	<u>(2,113,643)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (2,636,844)</u>	<u>\$ 108,740</u>	<u>\$ (2,528,104)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ (414,461)

*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	\$ 197,137	
Current Year Depreciation	<u>(326,403)</u>	(129,266)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (528)

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

Grants	91,642	
Excess Costs	(169,550)	
Delinquent Property Taxes	<u>5,039</u>	(72,869)

Repayment of principal in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal	255,000	
Loan Principal	154,693	
Capital Lease Principal	<u>53,000</u>	462,693

In the statement of activities, interest is accrued on outstanding bonds, and notes whereas in governmental funds, an interest expenditure is reported when due. (75,527)

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.

Accrued Vacation Leave Payable	(30,681)	
Compensated Absences	(42,575)	
Early Retirement Incentive	<u>18,400</u>	(54,856)

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. (95,072)

Net Change in Net Assets of Governmental Activities \$ (379,886)

See accompanying notes to the basic financial statements.

Coventry Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,129,540	\$ 7,379,477	\$ 8,018,570	\$ 639,093
Intergovernmental	2,371,514	4,654,953	5,256,282	601,329
Investment Income	939	1,844	2,082	238
Tuition and Fees	2,329,959	4,573,385	5,164,177	590,792
Extracurricular	18,492	36,297	40,986	4,689
Charges for Services	17,703	34,749	39,238	4,489
Rentals	2,500	4,906	5,540	634
Contributions and Donations	541	1,063	1,200	137
Payments in Lieu of Taxes	28,975	56,873	64,220	7,347
Miscellaneous	27,313	53,611	60,537	6,926
<i>Total Revenues</i>	<u>13,927,476</u>	<u>16,797,158</u>	<u>18,652,832</u>	<u>1,855,674</u>
Expenditures				
Current:				
Instruction:				
Regular	7,352,682	8,374,482	9,008,186	(633,704)
Special	1,542,449	1,756,802	1,889,741	(132,939)
Vocational	77,692	88,489	95,185	(6,696)
Student Intervention Services	5,180	5,900	6,346	(446)
Other	490,848	559,060	601,365	(42,305)
Support Services:				
Pupils	866,626	987,061	1,061,753	(74,692)
Instructional Staff	672,148	765,557	823,487	(57,930)
Board of Education	49,158	55,989	60,226	(4,237)
Administration	1,507,306	1,716,776	1,846,686	(129,910)
Fiscal	387,995	441,915	475,355	(33,440)
Business	36,751	41,859	45,026	(3,167)
Operation and Maintenance of Plant	1,715,735	1,954,170	2,102,044	(147,874)
Pupil Transportation	828,522	943,661	1,015,069	(71,408)
Central	121,118	137,949	148,388	(10,439)
Operation of Non-Instructional Services:				
Community Services	16,247	18,505	19,905	(1,400)
Extracurricular Activities	283,601	323,013	347,456	(24,443)
Capital Outlay	661	753	810	(57)
Debt Service:				
Principal Retirement	1,638,724	1,866,457	2,007,693	(141,236)
Interest & Fiscal Charges	140,463	159,983	172,089	(12,106)
<i>Total Expenditures</i>	<u>17,733,906</u>	<u>20,198,381</u>	<u>21,726,810</u>	<u>(1,528,429)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,806,430)</u>	<u>(3,401,223)</u>	<u>(3,073,978)</u>	<u>327,245</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	3,173	3,173	3,173	0
Refund of Prior Year Expenditures	11,714	11,714	0	(11,714)
Tax Anticipation Notes Issued	3,785,175	3,785,175	3,785,175	0
Transfers In	285,000	2,858	0	(2,858)
Advance In	8,864	8,864	8,864	0
Transfers Out	(37,858)	(37,858)	(35,000)	2,858
Advance Out	(263,760)	(263,760)	(263,760)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,792,308</u>	<u>3,510,166</u>	<u>3,498,452</u>	<u>(11,714)</u>
<i>Net Change in Fund Balance</i>	(14,122)	108,943	424,474	315,531
<i>Fund Balance (Deficit) at Beginning of Year</i>	6,258	6,258	6,258	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (7,864)</u>	<u>\$ 115,201</u>	<u>\$ 430,732</u>	<u>\$ 315,531</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2010

	Governmental Activities Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 0
Liabilities	
<i>Current Liabilities:</i>	
Interfund Payable	\$ 54,763
Claims Payable	500,606
<i>Total Current Liabilities</i>	<u>555,369</u>
Net Assets	
Unrestricted	<u><u>\$ (555,369)</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges for Services	\$ 3,184,600
Operating Expenses	
Purchased Services	170,330
Claims	3,109,342
<i>Total Operating Expenses</i>	<u>3,279,672</u>
<i>Operating Income (Loss)</i>	(95,072)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(460,297)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ (555,369)</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activities Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
<i>Decrease in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 3,184,600
Cash Paid for Goods and Services	(170,330)
Cash Paid for Claims	(3,106,718)
	<hr/>
<i>Net Cash Used For Operating Activities</i>	(92,448)
	<hr/>
Cash Flows From Noncapital Financing Activities	
Advances from Other Funds	54,763
	<hr/>
<i>Net Decrease in Cash and Cash Equivalents</i>	(37,685)
<i>Cash and Cash Equivalents at Beginning of Year</i>	37,685
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 0
	<hr style="border-top: 3px double #000;"/>
Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	\$ (95,072)
Adjustments:	
Increase in Liabilities	
Claims Payable	2,624
	<hr/>
<i>Net Cash Used For Operating Activities</i>	\$ (92,448)
	<hr style="border-top: 3px double #000;"/>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,000	\$ 78,710
Investments in Segregated Accounts	61,232	0
<i>Total Assets</i>	62,232	\$ 78,710
Liabilities		
Accounts Payable	0	\$ 5,110
Due to Students	0	73,600
<i>Total Liabilities</i>	0	\$ 78,710
Net Assets		
Held in Trust for Scholarships	\$ 62,232	

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For Fiscal Year Ended June 30, 2010

	Private Purpose Trust
Additions	
Interest	\$ 2,797
Deductions	
Payments in Accordance with Trust Agreements	500
<i>Change in Net Assets</i>	2,297
<i>Net Assets Beginning of Year</i>	59,935
<i>Net Assets End of Year</i>	\$ 62,232

See accompanying notes to the basic financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 117 classified employees and 168 certified full-time teaching personnel who provide services to 2,467 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 the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Coventry Local School District, this includes general operations, preschool, food service and student related activities of the School District. The following activity is also included within the reporting entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in three jointly governed organizations and one 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 10 and 18 to the basic financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

The other governmental funds of the School District account for grants and other resources 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.

C. Measurement Focus

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements for which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2010, investments were limited to stocks and certificates of deposit.

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

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$2,082 which includes \$1,224 assigned from other School District funds.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and capital improvements. See Note 19 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 \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. These amounts are reported on the face of the statement of basic financial statements as "Accrued Vacation Leave Payable."

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Accrued Liabilities and Long-term Obligations

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

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

J. Net Assets

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

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

K. Fund Balance 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 and textbooks and instructional materials.

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, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Operating Revenues and Expenses

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

M. Interfund Activity

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

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2010.

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

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

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

Q. Implementation of New Accounting Policies

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*," GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*," and GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

Note 3 – Fund Deficits

Fund balances at June 30, 2010 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
General Fund	\$ 2,636,844
Nonmajor Funds:	
Food Service	247,823
Uniform School Supplies	3,576
District Managed Students Activities	30,341
Public School Pre-school	11,496
Miscellaneous State Grants	2,786
IDEA Part B	1,473
ARRA - Title IID	12,468
Title I	14,781
Improving Teacher Quality	2,181
Internal Service	555,369

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

Note 4 - Budgetary Basis of Accounting

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Budgetary Basis of Accounting (Continued)

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

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

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.

Net Change in Fund Balance

GAAP Basis	\$ (560,971)
Net Adjustment for Revenue Accruals	3,578,207
Advances In	8,864
Net Adjustment for Expenditure Accruals	(2,241,883)
Advances Out	(263,760)
Adjustment for Encumbrances	<u>(95,983)</u>
Budget Basis	<u>\$ 424,474</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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 5 - Deposits and Investments (Continued)

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.

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 5 - Deposits and Investments (Continued)

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2010, the School District and public depositories complied with the provisions of these statutes.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,101,451 and the bank balance was \$1,500,177. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, the entire bank balance of \$1,500,177 was covered by Federal Deposit Insurance Corporation.

Investments - Investments are reported at fair value. As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity 0-6 Months
Stocks	\$ 21,949	\$ 21,949

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District also holds investments in stocks, which were donated as part of the Longworth Scholarship Trust Fund. Stocks do not report credit risk. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 5 - Deposits and Investments (Continued)

Concentration of Credit Risk The School District investment policy is to be diversified enough to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue or a specific class of securities. At various times during the year, the School District's stocks exceeded more than 5 percent of the School District's investments. The following table includes the percentage to total of each investment type held by the School District at June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks	<u>\$ 21,949</u>	<u>100.00%</u>

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. 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. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Property Taxes (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance the current fiscal year 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, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2010 was \$958,562 in the general fund and \$28,541 in the bond retirement debt service fund, and is recognized as revenue on the fund financial statements. The amount available as an advance at June 30, 2009 was \$871,417 in the general fund and \$28,740 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections Valuation	%	2010 First Half Collections Valuation	%
Agricultural/Residential and Other Real Estate	\$ 261,369,860	81.68%	\$ 260,391,000	81.90%
Commercial/Industrial	51,760,800	16.18%	50,821,150	15.98%
Public Utility				
Personal	6,174,530	1.93%	6,416,070	2.02%
Tangible Personal Property	658,854	0.21%	321,520	0.10%
Total	<u>\$ 319,964,044</u>	<u>100.00%</u>	<u>\$ 317,949,740</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 <u>\$ 65.53</u>		 <u>\$ 65.58</u>	

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Interfund Activity

A. Interfund Balances

Interfund balances at June 30, 2010 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 286,894	\$ 0
Nonmajor Governmental Funds:		
Food Service	0	181,320
Uniform School Supplies	0	1,328
District Managed Activities	0	27,074
Disadvantaged Pupil	0	3
Miscellaneous State Grants	0	388
Title VIB	0	14,847
Miscellaneous Federal Grants	0	7,171
Internal Service Fund	0	54,763
Total	\$ 286,894	\$ 286,894

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the Statement of Net Assets.

B. Interfund Transfers

During fiscal year 2010, the general fund transferred \$35,000 to the District managed student activity fund to provide additional resources for current operations.

Note 8 - Receivables

Receivables at June 30, 2010 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, 2010

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Reductions	Balance 6/30/10
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	9,014,442	0	0	9,014,442
Furniture and Equipment	2,102,671	195,137	(78,390)	2,219,418
Vehicles	892,240	2,000	(24,120)	870,120
<i>Total Capital Assets, being depreciated</i>	12,009,353	197,137	(102,510)	12,103,980
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,702,096)	(178,640)	0	(5,880,736)
Furniture and Equipment	(1,808,289)	(95,024)	77,862	(1,825,451)
Vehicles	(657,066)	(52,739)	24,120	(685,685)
<i>Total Accumulated Depreciation</i>	(8,167,451)	(326,403)	101,982	(8,391,872)
<i>Total Capital Assets being depreciated, net</i>	3,841,902	(129,266)	(528)	3,712,108
<i>Governmental Capital Assets, net</i>	\$ 4,386,112	\$ (129,266)	\$ (528)	\$ 4,256,318

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 37,835
Special	13,684
Vocational	215
Student Intervention	808
Support Services:	
Pupil	1,915
Instructional Staff	11,934
Administration	2,987
Operation and Maintenance of Plant	194,941
Pupil Transportation	45,648
Operation of Non Instructional Services:	
Food Service	5,419
Community Services	8,127
Extracurricular Activities	2,890
Total Depreciation	\$ 326,403

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 - Risk Management

Property and Liability

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

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

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

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

Workers' Compensation

For fiscal year 2010, 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.

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

Self Insurance

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 2010, a total expense of \$3,279,672 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$95,000. The liability for unpaid claims cost of \$500,606 reported in the fund at June 30, 2010 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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 - Risk Management (Continued)

Changes in the fund's claims liability amount in 2009 and 2010 were:

		<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$	497,982	\$ 3,109,342	\$ 3,106,718	\$ 500,606
2009	\$	525,406	\$ 2,925,718	\$ 2,953,142	\$ 497,982

Note 11 – Employee Benefits

A. *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.

B. *Early Retirement Incentive*

Employees with twelve or more years of service with the School District are eligible for the early retirement incentive plan. Employees who have retired and were subsequently rehired are not eligible for the plan. In accordance with the terms of the plan, the School District agrees to provide the severance incentive payments described in the plan to a 403(b) contract or directly to the employee, provided the employee fulfills his or her contractual obligations through the employee's exit date of June 30, 2009 (or an alternate exit date determined by the School District based on operational and educational needs). The early retirement incentive payments range from \$10,000 to \$40,000 per employee, depending upon the salary and position of the employee at the time of retirement, and are paid in three equal annual installments, beginning in fiscal year 2010.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 12 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s contributions for pension obligations to SERS for the years ended June 30, 2010, 2009 and 2008 were \$390,389, \$272,218 and \$247,980, respectively; 37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 12 – Defined Benefit Pension Plans (Continued)

their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,176,589, \$1,225,226 and \$1,116,941, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$31,642 made by the School District and \$22,602 made by the plan members.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 13 - Postemployment Benefits (Continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,052, \$124,579, and \$113,161, respectively; 37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,216, \$22,460, and \$17,868, respectively; 37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$90,507, \$94,248, and \$85,919, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 14 - 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, 2010.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 14 – Contingencies (Continued)

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 15 – Notes Payable

Note activity for the year ended June 30, 2010, consisted of the following:

	Outstanding 6/30/2009	Issued	Retired	Outstanding 6/30/2010	Due Within One Year
Tax Anticipation Notes					
3.63% Maturity 6/18/2010	\$ 0	\$ 1,000,000	\$ 1,000,000	\$ 0	\$ 0
Tax Anticipation Notes					
3.63% Maturity 2/26/2010	0	800,000	800,000	0	0
Tax Anticipation Notes					
3.00% Maturity 6/1/2015	0	1,985,175	0	1,985,175	397,035
Total Tax Anticipation Notes	\$ 0	\$ 3,785,175	\$ 1,800,000	\$ 1,985,175	\$ 397,035

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

Principal and interest requirements to retire notes outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Long-Term Tax Anticipation Notes		
	Principal	Interest	Total
2011	\$ 397,035	\$ 54,923	\$ 451,958
2012	397,035	47,644	444,679
2013	397,035	35,733	432,768
2014	397,035	23,822	420,857
2015	397,035	11,911	408,946
Total	\$ 1,985,175	\$ 174,033	\$ 2,159,208

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 16 - Long - Term Obligations

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

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010	Due Within One Year
Governmental Activities					
<i>Loans Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 400,581	\$ 0	\$ 59,606	\$ 340,975	\$ 62,301
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2015	450,703	0	56,167	394,536	58,707
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	602,586	0	38,920	563,666	40,679
Total Loans Payable	<u>1,453,870</u>	<u>0</u>	<u>154,693</u>	<u>1,299,177</u>	<u>161,687</u>
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	1,425,000	0	255,000	1,170,000	270,000
<i>Other Long-Term Liabilities</i>					
Capital Leases	1,478,000	0	53,000	1,425,000	55,000
Compensated Absences	1,091,880	239,207	196,632	1,134,455	0
Early Retirement Incentive	532,000	234,400	252,800	513,600	260,800
Total Other Long-Term Liabilities	<u>3,101,880</u>	<u>473,607</u>	<u>502,432</u>	<u>3,073,055</u>	<u>315,800</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,980,750</u>	<u>\$ 473,607</u>	<u>\$ 912,125</u>	<u>\$ 5,542,232</u>	<u>\$ 747,487</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 notes were issued for a fifteen year period with final maturity during fiscal year 2015. On March 1, 2000, the School District issued another \$842,535 for energy conservation measures for a fifteen year period with final maturity during fiscal year 2016. On June 13, 2005 the School District issued \$709,533 for the purpose making energy improvements to various school buildings in the School District. The notes were issued for a fifteen year period with final maturity during fiscal 2020.

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 16 - Long - Term Obligations (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	School Improvement		
	Principal	Interest	Total
2011	\$ 270,000	\$ 49,163	\$ 319,163
2012	285,000	35,981	320,981
2013	300,000	22,087	322,087
2014	315,000	7,481	322,481
Total	<u>\$ 1,170,000</u>	<u>\$ 114,712</u>	<u>\$ 1,284,712</u>

Principal and interest requirements to retire notes outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Energy Conversation Loans		
	Principal	Interest	Total
2011	\$ 161,687	\$ 58,737	\$ 220,424
2012	168,997	51,427	220,424
2013	176,638	43,786	220,424
2014	184,624	35,800	220,424
2015	192,970	27,454	220,424
2016-2020	414,261	59,261	473,522
Total	<u>\$ 1,299,177</u>	<u>\$ 276,465</u>	<u>\$ 1,575,642</u>

Note 17 - Capitalized Lease

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 - Capitalized Lease (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of minimum lease payments as of June 30, 2010:

	Fiscal Year Ending June 30, 2011	\$ 125,822
	2012	125,089
	2013	124,256
	2014	124,324
	2015	123,242
	2016-2020	610,519
	2021-2025	594,013
	2026-2028	<u>347,858</u>
Total		2,175,123
Less: Amount Representing Interest		<u>(750,123)</u>
Present Value of Net Minimum Lease Payments		<u><u>\$ 1,425,000</u></u>

Note 18 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeastern Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2010 the School District paid \$79,184 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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 18 - Jointly Governed Organizations (Continued)

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 19 - Statutory Reserves

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2009	\$ 0	\$ 702,710	\$ 702,710
Current Year Set-Aside Requirement	374,761	374,761	749,522
Qualifying Disbursements	(460,625)	(136,719)	(597,344)
Total	\$ (85,864)	\$ 940,752	\$ 854,888
Cash Balance Carried Forward FY 2010	<u>\$ 0</u>	<u>\$ 940,752</u>	<u>\$ 940,752</u>
Restricted Cash			<u>\$ 940,752</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The School District did not have qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero, and is required to establish a fund balance reserve.

The School District did not have enough qualifying disbursements to exceed the requirements for textbooks and other instructional materials and is required to establish a fund balance reserve of \$940,752. This amount should also be reported as restricted cash and cash equivalents in the general fund. However, the School District did not have a sufficient cash balance in the general fund to cover this reserve. Therefore, only \$502,583 is reported as restricted cash and cash equivalents.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 20 - Fiscal Watch

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



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2010

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2010. 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 the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be material weakness as finding 2010-001.

Coventry Local School District
Independent Auditor's Report on Internal Control Over
Financial Reporting on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
December 28, 2010
Page 2

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the School District in a separate letter dated December 28, 2010.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Kea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2010

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

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

Compliance

We have audited the compliance of the Coventry Local School District (the School District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

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

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

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

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

Kea & Associates, Inc.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U. S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553		\$ 137,651		\$ 137,651	
National School Lunch Program	10.555		411,547	\$ 39,142	411,547	\$ 39,142
Total Child Nutrition Cluster			549,198	39,142	549,198	39,142
Total U.S. Department of Agriculture			549,198	39,142	549,198	39,142
<u>U. S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster</i>						
ARRA - Title I Grants to Local Educational Agencies	84.389	2010	155,905		113,128	
ARRA - Title I Grants to Local Educational Agencies (Neglected)	84.389	2010	9,146		7,846	
Title I Grants to Local Educational Agencies	84.010	2009	66,189		96,468	
Title I Grants to Local Educational Agencies	84.010	2010	308,739		315,426	
Title I Grants to Local Educational Agencies (Neglected)	84.010	2009	2,698		5,081	
Title I Grants to Local Educational Agencies (Neglected)	84.010	2010	9,667		15,245	
Total Title I Cluster			552,344		553,194	
<i>Special Education Cluster</i>						
ARRA - Special Education - Grants to States	84.391	2010	236,879		243,499	
Special Education - Grants to States	84.027	2009	34,972		79,234	
Special Education - Grants to States	84.027	2010	372,347		380,573	
Total Special Education - Grants to States			644,198		703,306	
ARRA - Special Education - Preschool Grants	84.392	2010	13,243		4,304	
Special Education - Preschool Grants	84.173	2009	1,591		1,415	
Special Education - Preschool Grants	84.173	2010	13,683		13,037	
Total Special Education - Preschool Grants			28,517		18,756	
Total Special Education Cluster			672,715		722,062	
Safe and Drug-Free Schools and Communities - State Grants	84.186	2009	2,885		5,972	
Safe and Drug-Free Schools and Communities - State Grants	84.186	2010	5,128		3,712	
Total Safe and Drug-Free Schools and Communities - State Grants			8,013		9,684	
Innovative Education Program Strategies	84.298	2009	0		4,959	
Education Technology State Grants	84.318	2009	1,120		1,525	
Education Technology State Grants	84.318	2010	3,642		3,375	
Total Education Technology State Grants			4,762		4,900	
Improving Teacher Quality State Grants	84.367	2009	17,662		22,429	
Improving Teacher Quality State Grants	84.367	2010	75,946		83,117	
Total Improving Teacher Quality State Grants			93,608		105,546	
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	2010	227,825		144,868	
Total U.S. Department of Education			1,559,267		1,545,213	
Total Federal Financial Assistance			\$ 2,108,465	\$ 39,142	\$ 2,094,411	\$ 39,142

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

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

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2010*

Note A - Child Nutrition Cluster

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

Note B – Food Donation Program

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

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Grants to Local Educational Agencies (Title I Cluster) Special Education Cluster State Fiscal Stabilization Fund	CFDA # 84.010, 84.389 84.027, 84.391, 84.173,84.392 84.394
(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

Material Weakness

FINDING NUMBER	2010-001
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Criteria: The School District's management has a responsibility to design and maintain internal controls over financial reporting. Internal controls must exist over the cash reconciliation process. Timely reconciliation and review should be completed by the appropriate personnel.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2010**

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

Material Weakness (Continued)

FINDING NUMBER	2010-001 (Continued)
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Condition Found: The School District performed procedures to reconcile cash accounts monthly. Each month, an unknown variance remained. In order to close out the month and continue operations, an adjustment was posted to the ledgers to reconcile bank and book balances. These monthly adjustments continued to accumulate throughout the fiscal year. Subsequent to year-end, the School District addressed these unresolved variances and properly reconciled.

Effect: Allowing adjustments to reconciliations of cash accounts can allow for inaccurate ledger balances and increase the chances of error or fraud that otherwise could be detected in a timely manner.

Recommendations: The School District should take the appropriate steps to address any adjustments to cash reconciliations in the subsequent month. The School District should allocate adequate time for the appropriate individual(s) each month to focus their time on reconciling the cash accounts. The School District should also consider additional training for the individual(s) involved in the monthly reconciliation process.

Corrective Action: Cash reconciliation is done at the end of every month. All revenue is reconciled, and all expenses are verified. Non-cash entries are posted and confirmed. However, due to a shortage of staff, a cut in staff hours last year, a recent transition of duties between staff members, and the length of down time required for the reconciliation process, it has become necessary sometimes to make an adjusting entry to balance and close a month to be able to move forward with the following month's financial business. There is a very small window of time for month end processing. Every effort is made to determine the need for any adjustment prior to the closing of the following month. Time must be found for more thorough training on this process.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.10, one District fund had a negative fund balance.	Partially	Deemed immaterial re-issued as management letter comment.
2009-002	Ohio Revised Code Section 5705.41(B), the District had one fund where expenditures exceeded appropriations.	Partially	Deemed immaterial re-issued as management letter comment.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 28, 2010

Coventry Local School District
3257 Cormany Rd.
Akron, OH 44319

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Coventry Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 18, 2008. They adopted a revised policy on April 20, 2010.
2. We read the revised policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (2) A procedure for reporting prohibited incidents;
 - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (4) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
- (5) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (6) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (7) A procedure for documenting any prohibited incident that is reported;
- (8) A procedure for responding to and investigating any reported incident;
- (9) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (10) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

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Dave Yost • Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2011