

Coventry Local School District
Audited Financial Statements

June 30, 2011



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, 2010 through June 30, 2011. 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 29, 2012

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**COVENTY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

JUNE 30, 2011

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COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

JUNE 30, 2011

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January 27, 2012

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, 2011, 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, 2011, 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 January 27, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but are 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.

Rea & Associates, Inc.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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, 2011. 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 2011 are as follows:

- General Revenues accounted for \$15,408,679 in revenue or 63.8 percent of all revenues. Program specific revenues in the form of charges for services, sales, operating grants and contributions and interest accounted for \$8,736,159 or 36.2 percent of total revenues of \$24,144,838.
- Total program expenses were \$23,708,543 in Governmental Activities.
- In total, net assets of Governmental Activities increased \$436,295 from 2010.
- Outstanding bonded debt and notes decreased from \$4,454,352 to \$3,802,090 through principal payments.

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 2011?" 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, 2011

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, 2011

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 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities	
	2011	Restated 2010
Assets		
Current and Other Assets	\$ 12,097,828	\$ 11,511,798
Capital Assets	4,763,667	4,256,318
<i>Total Assets</i>	16,861,495	15,768,116
Liabilities		
Long-Term Liabilities	6,217,165	5,542,232
Other Liabilities	13,931,376	13,949,225
<i>Total Liabilities</i>	20,148,541	19,491,457
Net Assets		
Invested in Capital		
Assets, Net of Debt	2,055,713	1,661,316
Restricted	230,242	1,043,635
Unrestricted (Deficit)	(5,573,001)	(6,428,292)
<i>Total Net Assets</i>	\$ (3,287,046)	\$ (3,723,341)

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Overall, assets increased by \$1,093,379 and liabilities increased \$657,084 resulting in an increase in net assets of \$436,295 over fiscal year 2010. Cash and intergovernmental receivables increased over fiscal year 2010. A capital lease obligation was incurred during fiscal year 2011.

Table 2 shows the changes in net assets for fiscal year 2011. 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	
	2011	2010*
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 5,808,291	\$ 5,815,486
Operating Grants, Contributions and Interest	2,927,868	2,466,748
<i>General Revenue:</i>		
Property Taxes	9,960,011	8,427,186
Grants and Entitlements	5,378,774	5,423,456
Payments in Lieu of Taxes	0	64,220
Other	69,894	61,559
Total Revenues	24,144,838	22,258,655
Program Expenses		
Instruction	13,571,082	13,017,345
Support Services	8,352,979	7,879,611
Operation of Non-Instructional Services:		
Food Service	839,202	805,559
Community Services	275,162	197,446
Extracurricular Activities	411,698	429,333
Interest and Fiscal Charges	258,420	309,247
Total Expenses	23,708,543	22,638,541
Increase in Net Assets	\$ 436,295	\$ (379,886)

* 2010 was not restated for changes in fund structure noted in Note 4. These activities are deemed insignificant and would not impact the entity-wide analysis.

Overall revenue increased by \$1,886,183 from fiscal year 2010. Operating grants and contributions increased by over \$461,120 from fiscal year 2010 due to a new federal that was awarded in fiscal year 2011. Property tax revenue also increased over fiscal year 2010 due to an increase in the amount available for advance from the county and the passage of an emergency levy in May of 2010. Program expenses increased \$1,007,002 from fiscal year 2010. This increase in total program expenses reflects increases mainly in the area of student support services.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$15,408,679 or 63.8 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 \$8,736,159 or 36.2 percent of total revenue.

Instructional expenses comprise 57.2% 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 40.0%. The remaining 2.8% 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 \$24,144,838 and expenses of \$23,708,543.

(Table 3)
Governmental Activities

	2011	2010*	2011	2010*
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
Instruction	\$ 13,571,082	\$ 13,017,345	\$ (6,377,769)	\$ (6,726,040)
Support Services:				
Pupils and Instructional Staff	2,228,747	2,058,836	(1,980,320)	(2,022,877)
Board of Education, Administration				
Fiscal, Business and Central	2,584,366	2,893,799	(2,522,365)	(2,082,993)
Operation and Maintenance of Plant	2,450,396	1,970,579	(2,429,811)	(1,970,579)
Pupil Transportation	1,089,470	956,397	(1,040,430)	(956,397)
Operation of Non-Instructional Services:	1,114,364	1,003,005	(74,755)	65,626
Extracurricular Activities	411,698	429,333	(288,514)	(353,800)
Interest Charges	258,420	309,247	(258,420)	(309,247)
Total	\$ 23,708,543	\$ 22,638,541	\$ (14,972,384)	\$ (14,356,307)

* 2010 was not restated for changes in fund structure noted in Note 4. These activities are deemed insignificant and would not impact the entity-wide analysis.

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 25.8 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, 2011

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 \$25,252,710 and expenditures and other financing uses were \$25,495,755. The School District's only major fund, the general fund, reported a decrease in fund balance in the amount of \$728,921, which was largely due to an increase in expenditures over fiscal year 2010.

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 2011, 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 \$22,780,088, which is over the original budget estimate of \$22,264,976. Of the \$515,112 increase, most was attributable to an increase in intergovernmental revenue and tuition and fees. Final budget basis revenue, including other financing sources, of \$22,780,088 was \$2,784,234 higher than the actual amount of \$19,995,854. Taxes and intergovernmental revenue were less than was anticipated in the final budget.

Final appropriations, including other financing uses, of \$20,800,000 were less than original appropriations of \$21,400,000. This \$600,000 decrease was primarily attributed to the expenditures for instruction being less than anticipated in the original budget. Actual expenditures, including other financing uses, of \$21,073,267 were \$273,267 higher than the final budget amount of \$20,800,000 largely in the areas of regular and special instruction 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 2011, the School District had \$4,763,667 invested in land, construction in progress, building improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared with 2010 net of depreciation.

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

	Governmental Activities	
	2011	2010
Land	\$ 544,210	\$ 544,210
Construction in Progress	642,384	0
Buildings and Improvements	2,979,851	3,133,706
Furniture and Equipment	425,201	393,967
Vehicles	172,021	184,435
<i>Totals</i>	\$ 4,763,667	\$ 4,256,318

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The \$507,349 increase in capital assets was attributable to additional purchases and construction in progress exceeding depreciation. See Note 10 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 2011, this amounted to \$361,692 for each set aside. The School District did not incur enough qualifying disbursements to completely offset these requirements for textbooks. See Note 20 for additional information.

Debt

At June 30, 2011, the School District had \$3,802,090 in bonds and notes outstanding with \$895,147 due within one year. During fiscal year 2011, \$652,262 of general obligation bonds and notes were retired. Table 5 summarizes bonds and notes outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2011	2010
Notes Payable:		
HB264 Energy Conservation Loan	\$ 278,674	340,975
Energy Conservation Loan Phase #2	335,829	394,536
Energy Conservation Loan Phase #3	522,987	563,666
	1,137,490	1,299,177
General Obligation Bonds Payable:		
School Improvement Bonds	900,000	1,170,000
Tax Anticipation Notes Payable	1,764,600	1,985,175
<i>Total Debt</i>	\$ 3,802,090	\$ 4,454,352

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 17 to the basic financial statements for detail on the School District's long-term obligations. Tax anticipation notes were issued in fiscal year 2011 to pay current operations. See Note 16 for details on the tax anticipation notes.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,166,963
Receivables:	
Taxes	9,895,633
Intergovernmental	896,324
Deferred Charges	138,908
Nondepreciable Capital Assets	1,186,594
Depreciable Capital Assets (Net)	<u>3,577,073</u>
<i>Total Assets</i>	<u>16,861,495</u>
Liabilities	
Accounts Payable	326,091
Contracts Payable	301,571
Accrued Wages and Benefits	2,071,094
Intergovernmental Payable	781,555
Accrued Interest Payable	93,779
Accrued Vacation Leave Payable	32,862
Retainage Payable	14,988
Deferred Revenue	8,131,385
Notes Payable	1,764,600
Claims Payable	413,451
Long -Term Liabilities:	
Due Within One Year	828,797
Due in More Than One Year	<u>5,388,368</u>
<i>Total Liabilities</i>	<u>20,148,541</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,055,713
Restricted for:	
Debt Service	59,769
Other Purposes	170,473
Unrestricted	<u>(5,573,001)</u>
<i>Total Net Assets</i>	<u>\$ (3,287,046)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 9,881,192	\$ 5,362,148	\$ 799,669	\$ (3,719,375)
Special	2,949,356	0	1,017,610	(1,931,746)
Vocational	85,594	0	12,988	(72,606)
Student Intervention Services	689	0	0	(689)
Other	654,251	0	898	(653,353)
Support Services:				
Pupils	962,197	0	25,149	(937,048)
Instructional Staff	1,266,550	0	223,278	(1,043,272)
Board of Education	116,886	0	0	(116,886)
Administration	1,872,325	0	56,736	(1,815,589)
Fiscal	401,698	0	0	(401,698)
Business	42,401	0	265	(42,136)
Operation and Maintenance of Plant	2,450,396	20,585	0	(2,429,811)
Pupil Transportation	1,089,470	0	49,040	(1,040,430)
Central	151,056	0	5,000	(146,056)
Operation of Non-Instructional Services				
Food Service Operations	839,202	302,674	471,574	(64,954)
Community Services	275,162	0	265,361	(9,801)
Extracurricular Activities	411,698	122,884	300	(288,514)
Interest and Fiscal Charges	258,420	0	0	(258,420)
Total Governmental Activities	\$ 23,708,543	\$ 5,808,291	\$ 2,927,868	(14,972,384)

General Revenues

Property Taxes Levied for:	
General Purposes	9,620,810
Debt Service	339,201
Grants and Entitlements not	
Restricted to Specific Programs	5,378,774
Miscellaneous	69,894
Total General Revenues	15,408,679
Change in Net Assets	436,295
Net Assets Beginning of Year (Restated, See Note 4)	(3,723,341)
Net Assets End of Year	\$ (3,287,046)

See accompanying notes to the basic financial statements.

Coventry Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 1,020,300	\$ 1,020,300
Receivables:			
Taxes	9,560,389	335,244	9,895,633
Interfund	272,494	265,690	538,184
Intergovernmental	213,029	683,295	896,324
<i>Total Assets</i>	<u>\$ 10,045,912</u>	<u>\$ 2,304,529</u>	<u>\$ 12,350,441</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 161,480	\$ 164,611	\$ 326,091
Contracts Payable	0	301,571	301,571
Retainage Payable	0	14,988	14,988
Accrued Wages and Benefits	1,871,897	199,197	2,071,094
Interfund Payable	265,690	272,494	538,184
Intergovernmental Payable	703,135	78,420	781,555
Accrued Interest Payable	4,306	0	4,306
Deferred Revenue	8,527,905	880,376	9,408,281
Notes Payable	1,764,600	0	1,764,600
<i>Total Liabilities</i>	<u>13,299,013</u>	<u>1,911,657</u>	<u>15,210,670</u>
Fund Balances			
Restricted	0	917,050	917,050
Unassigned	(3,253,101)	(524,178)	(3,777,279)
<i>Total Fund Balances</i>	<u>(3,253,101)</u>	<u>392,872</u>	<u>(2,860,229)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,045,912</u>	<u>\$ 2,304,529</u>	<u>\$ 12,350,441</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, 2011*

Total Governmental Fund Balances \$ (2,860,229)

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,763,667
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 588,807	
Excess Costs	213,029	
Delinquent Property Taxes	475,060	1,276,896
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	(900,000)	
Loans Payable	(1,137,490)	
Capital Lease Payable	(2,870,000)	(4,907,490)
In the statement of activities, debt issuance costs are amortized over the term of the debt, whereas in governmental funds a debt issuance expenditure is reported when debt is issued.		138,908
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	(32,862)	
Compensated Absences	(1,056,875)	
Early Retirement Incentive	(252,800)	(1,342,537)
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(89,473)
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.		(266,788)

Net Assets of Governmental Activities \$ (3,287,046)

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 9,537,635	\$ 334,296	\$ 9,871,931
Intergovernmental	5,180,450	2,747,144	7,927,594
Tuition and Fees	5,264,364	20,584	5,284,948
Extracurricular Activities	158,925	55,639	214,564
Charges for Services	13,792	302,674	316,466
Rentals	7,024	0	7,024
Gifts and Donations	3,227	13,628	16,855
Miscellaneous	69,055	839	69,894
<i>Total Revenues</i>	<u>20,234,472</u>	<u>3,474,804</u>	<u>23,709,276</u>
Expenditures			
Current:			
Instruction:			
Regular	9,385,642	623,866	10,009,508
Special	2,070,465	904,539	2,975,004
Vocational	86,867	0	86,867
Other	652,844	1,407	654,251
Support Services:			
Pupils	1,051,021	29,050	1,080,071
Instructional Staff	1,039,772	237,367	1,277,139
Board of Education	116,886	0	116,886
Administration	1,757,284	213,864	1,971,148
Fiscal	403,363	0	403,363
Business	45,314	378	45,692
Operation and Maintenance of Plant	2,299,762	179,166	2,478,928
Pupil Transportation	1,066,664	54,107	1,120,771
Central	157,505	5,000	162,505
Operation of Non-Instructional Services:			
Food Service	0	851,698	851,698
Community Services	31,122	252,488	283,610
Extracurricular Activities	323,232	91,070	414,302
Capital Outlay	39,112	611,397	650,509
Debt Service:			
Principal Retirement	216,687	270,000	486,687
Interest and Fiscal Charges	191,103	49,162	240,265
Issuance Costs	0	143,117	143,117
<i>Total Expenditures</i>	<u>20,934,645</u>	<u>4,517,676</u>	<u>25,452,321</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(700,173)</u>	<u>(1,042,872)</u>	<u>(1,743,045)</u>
Other Financing Sources (Uses)			
Transfers In	7,343	36,091	43,434
Transfers Out	(36,091)	(7,343)	(43,434)
Issuance of Certificates of Participation	0	1,500,000	1,500,000
<i>Total Other Financing Sources and (Uses)</i>	<u>(28,748)</u>	<u>1,528,748</u>	<u>1,500,000</u>
<i>Net Change in Fund Balance</i>	(728,921)	485,876	(243,045)
<i>Fund Balance (Deficit) at Beginning of Year (Restated, See Note 4)</i>	<u>(2,524,180)</u>	<u>(93,004)</u>	<u>(2,617,184)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (3,253,101)</u>	<u>\$ 392,872</u>	<u>\$ (2,860,229)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	(243,045)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 846,702	
Current Year Depreciation	<u>(339,353)</u>	507,349
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	363,830	
Excess Costs	(16,349)	
Delinquent Property Taxes	<u>88,081</u>	435,562
 Certificates of Participation issued in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.		
		(1,500,000)
 Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		
		143,117
 In the statement of activities, debt issuance costs are amortized over the term of the debt, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
		(4,209)
 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	270,000	
Loan Principal	161,687	
Capital Lease Principal	<u>55,000</u>	486,687
 In the statement of activities, interest is accrued on outstanding bonds, and notes whereas in governmental funds, an interest expenditure is reported when due.		
		(13,946)
 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	(2,181)	
Compensated Absences	77,580	
Early Retirement Incentive	<u>260,800</u>	336,199
 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.		
		<u>288,581</u>
 <i>Net Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>436,295</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Budgetary Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 10,099,678	\$ 10,558,596	\$ 9,250,684	\$ (1,307,912)
Intergovernmental	5,736,831	6,025,271	5,203,219	(822,052)
Tuition and Fees	5,534,176	5,757,877	5,120,330	(637,547)
Extracurricular	73,417	76,752	67,245	(9,507)
Charges for Services	15,058	15,742	13,792	(1,950)
Rentals	452	473	414	(59)
Miscellaneous	40,210	42,037	36,830	(5,207)
<i>Total Revenues</i>	21,499,822	22,476,748	19,692,514	(2,784,234)
Expenditures				
Current:				
Instruction:				
Regular	9,304,504	9,041,599	9,165,102	(123,503)
Special	2,020,501	1,963,411	1,989,416	(26,005)
Vocational	87,420	84,950	86,075	(1,125)
Other	667,514	648,653	657,244	(8,591)
Support Services:				
Pupils	1,041,995	1,012,553	1,025,964	(13,411)
Instructional Staff	915,770	889,894	901,681	(11,787)
Board of Education	126,844	123,260	124,893	(1,633)
Administration	1,831,578	1,779,825	1,803,399	(23,574)
Fiscal	513,818	499,300	505,913	(6,613)
Business	46,022	44,722	45,314	(592)
Operation and Maintenance of Plant	2,298,131	2,233,195	2,262,774	(29,579)
Pupil Transportation	1,028,771	999,702	1,012,943	(13,241)
Central	175,980	171,008	173,273	(2,265)
Operation of Non-Instructional Services:				
Community Services	22,960	22,311	22,607	(296)
Extracurricular Activities	326,741	317,509	321,714	(4,205)
Capital Outlay	43,802	42,564	43,127	(563)
Debt Service:				
Principal Retirement	444,094	431,546	437,262	(5,716)
Interest & Fiscal Charges	189,716	184,355	186,797	(2,442)
<i>Total Expenditures</i>	21,086,161	20,490,357	20,765,498	(275,141)
<i>Excess of Revenues Over (Under) Expenditures</i>	413,661	1,986,391	(1,072,984)	(3,059,375)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,813	5,325	5,325	0
Refund of Prior Year Expenditures	30,474	27,912	27,912	0
Transfers In	5,281	7,343	7,343	0
Advance In	723,586	262,760	262,760	0
Transfers Out	(37,916)	(37,965)	(36,091)	1,874
Advance Out	(275,923)	(271,678)	(271,678)	0
<i>Total Other Financing Sources (Uses)</i>	451,315	(6,303)	(4,429)	1,874
<i>Net Change in Fund Balance</i>	864,976	1,980,088	(1,077,413)	(3,057,501)
<i>Fund Balance (Deficit) at Beginning of Year</i>	430,732	430,732	430,732	0
Prior Year Encumbrances Appropriated	95,983	95,983	95,983	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 1,391,691	\$ 2,506,803	\$ (550,698)	\$ (3,057,501)

See accompanying notes to the basic financial statements.

Coventry Local School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2011

	Governmental Activities Internal Service Fund
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 146,663
Liabilities	
<i>Current Liabilities:</i>	
Claims Payable	413,451
Net Assets	
Unrestricted	\$ (266,788)

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, 2011

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges for Services	\$ 3,004,279
Operating Expenses	
Purchased Services	371,726
Claims	2,343,972
<i>Total Operating Expenses</i>	<u>2,715,698</u>
<i>Operating Income</i>	288,581
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(555,369)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ (266,788)</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, 2011

	<u>Governmental Activities Internal Service Fund</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 3,004,279
Cash Paid for Goods and Services	(371,726)
Cash Paid for Claims	<u>(2,431,127)</u>
<i>Net Cash Provided For Operating Activities</i>	<u>201,426</u>
<i>Net Increase in Cash and Cash Equivalents</i>	146,663
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>0</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 146,663</u></u>
Reconciliation of Operating Incomes to Net Cash Provided For Operating Activities	
Operating Income	\$ 288,581
Adjustments:	
Decrease in Liabilities	
Claims Payable	<u>(87,155)</u>
<i>Net Cash Provided For Operating Activities</i>	<u><u>\$ 201,426</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 112,900	\$ 88,230
Investments in Segregated Accounts	22,991	0
<i>Total Assets</i>	135,891	\$ 88,230
Liabilities		
Accounts Payable	0	\$ 224
Due to Students	0	88,006
<i>Total Liabilities</i>	0	\$ 88,230
Net Assets		
Held in Trust for Scholarships	\$ 135,891	

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, 2011

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 18,083
Interest	3,196
Deductions	
Payments in Accordance with Trust Agreements	36,700
<i>Change in Net Assets</i>	(15,421)
<i>Net Assets Beginning of Year (Restated, See Note 4)</i>	151,312
<i>Net Assets End of Year</i>	\$ 135,891

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, 2011

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 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 11 and 19 to the basic financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011

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 to which the District is bound to observe constraints imposed upon the use of the resources.

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, 2011

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 7). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements 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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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 and contributions" 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 2011, investments were limited to donated 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. The only interest revenue in fiscal year 2011 was in the private purpose trust funds.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$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:

Description	Governmental Activities Estimated Lives
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, 2011

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

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2011.

O. Estimates

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

P. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3 – Accountability and Compliance

A. Fund Deficits

Fund balances at June 30, 2011 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$ 3,253,101
Nonmajor Funds:	
Food Service Operations	325,272
District Managed Students Activities	30,636
Miscellaneous State Grants	4,502
Education Jobs	2,962
IDEA Part B	27,331
ARRA - Title IID	58,244
Title I	74,814
Improving Teacher Quality	413

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.

B. Compliance

The School District advanced \$400,000 from the building fund to the general fund to cover negative cash. This is an illegal transfer; therefore, causing negative cash balance in the general fund, contrary to Ohio Revised Code Section 5705.10(H). Although this violation was not corrected by year end, management has indicated that balances will be closely monitored to ensure no future violations.

Note 4: Restatement of Fund Balances

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the School District' governmental fund balances as previously reported:

The fund reclassifications did not have an effect on net assets previously reported.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4: Restatement of Fund Balances (Continued)

The fund reclassifications had the following effect on net assets previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ (2,636,844)	\$ 108,740	\$ (2,528,104)
Fund Reclassification:			
Uniform School Supplies Fund	(3,576)	3,576	0
Public School Support Fund	105,240	(105,240)	0
Underground Storage Tank Fund	11,000	(11,000)	0
Private Purpose Trust Funds	<u>0</u>	<u>(89,080)</u>	<u>(89,080)</u>
Restated Fund Balance at July 1, 2010	<u>\$ (2,524,180)</u>	<u>\$ (93,004)</u>	<u>\$ (2,617,184)</u>

	<u>Governmental Activities</u>	<u>Private Purpose Trust Funds</u>
Net Assets Previously Reported at June 30, 2010	\$ (3,634,261)	\$ 62,232
Fund Reclassification		
Private Purpose Trust Funds	<u>(89,080)</u>	<u>89,080</u>
Restated Net Assets at July 1, 2010	<u>\$ (3,723,341)</u>	<u>\$ 151,312</u>

Note 5 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. 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).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Budgetary Basis of Accounting (Continued)

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	\$	(728,921)
Net Adjustment for Revenue Accruals		(254,029)
Advances In		262,760
Net Adjustment for Expenditure Accruals		(231,076)
Advances Out		(271,678)
Funds Budgeted Elsewhere **		(17,728)
Adjustment for Encumbrances		163,259
		163,259
Budget Basis	\$	(1,077,413)

** As part of Governmental Accounting Standards Board Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions,”* certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, public school support and underground storage tank funds.

Note 6 - Deposits and Investments

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

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

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Deposits and Investments (Continued)

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.

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 2011, the School District and public depositories complied with the provisions of these statutes.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Deposits and Investments (Continued)

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 \$1,368,093 and the bank balance was \$1,506,978. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011, the entire bank balance of \$1,506,978 was covered by Federal Deposit Insurance Corporation.

Investments - Investments are reported at fair value. As of June 30, 2011, the School District had the following investments:

	Fair Value	Maturity 0-6 Months
Stocks	\$ 22,991	\$ 22,991

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.

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, 2011:

Investment Type	Fair Value	Percent of Total
Stocks	\$ 22,991	100.00%

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 - 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 2011 represents collections of calendar year 2010 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 2011 represents collections of calendar year 2010 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 2011 (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 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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.

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 in calendar year 2009, and the tax on telephone and telecommunications property was eliminated during 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 was 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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 - Property Taxes (Continued)

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, 2011 was \$1,245,513 in the general fund and \$43,675 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, 2010 was \$958,562 in the general fund and \$28,541 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections Valuation	%	2011 First Half Collections Valuation	%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Agricultural/Residential and Other Real Estate	\$ 260,391,000	81.90%	\$ 259,977,910	81.98%
Commercial/Industrial	50,821,150	15.98%	50,525,530	15.93%
Public Utility				
Personal	6,416,070	2.02%	6,634,100	2.09%
Tangible Personal				
Property	321,520	0.10%	210	0.00%
Total	<u>\$ 317,949,740</u>	<u>100.00%</u>	<u>\$ 317,137,750</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 65.58</u>		<u>\$ 71.97</u>	

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Interfund Activity

A. Interfund Balances

Interfund balances at June 30, 2011 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 272,494	\$ 265,690
Nonmajor Governmental Funds:		
Building	265,690	
Food Service Operations	0	230,422
District Managed Activities	0	32,853
Miscellaneous State Grants	0	156
Title I	0	9,063
Total	\$ 538,184	\$ 538,184

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. See Note 3 – Accountability and Compliance for more information on material non-compliance.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the Statement of Net Assets.

B. Interfund Transfers

During fiscal year 2011, the general fund transferred \$36,091 to the district managed student activity fund to provide additional resources for current operations. The poverty based aid fund was closed out and the residual cash balance of \$7,343 was transferred to the general fund.

Note 9 - Receivables

Receivables at June 30, 2011 consisted of taxes, interfund, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 544,210	\$ 0	\$ 0	\$ 544,210
Construction in Progress	0	642,384	0	642,384
Total Capital Assets, not being depreciated:	544,210	642,384	0	1,186,594
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	9,014,442	24,980	0	9,039,422
Furniture and Equipment	2,219,418	134,243	(227,489)	2,126,172
Vehicles	870,120	45,095	0	915,215
Total Capital Assets, being depreciated	12,103,980	204,318	(227,489)	12,080,809
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,880,736)	(178,835)	0	(6,059,571)
Furniture and Equipment	(1,825,451)	(103,009)	227,489	(1,700,971)
Vehicles	(685,685)	(57,509)	0	(743,194)
Total Accumulated Depreciation	(8,391,872)	(339,353)	227,489	(8,503,736)
Total Capital Assets being depreciated, net	3,712,108	(135,035)	0	3,577,073
Governmental Capital Assets, net	\$ 4,256,318	\$ 507,349	\$ 0	\$ 4,763,667

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 207,137
Special	25,541
Student Intervention	689
Support Services:	
Pupil	1,955
Instructional Staff	17,909
Administration	3,492
Business	204
Operation and Maintenance of Plant	17,442
Pupil Transportation	47,453
Operation of Non Instructional Services:	
Food Service Operations	6,312
Community Services	6,709
Extracurricular Activities	4,510
Total Depreciation	\$ 339,353

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Risk Management

Property and Liability

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

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

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

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

Workers' Compensation

For fiscal year 2011, 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 2011, a total expense of \$2,715,698 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 \$413,451 reported in the fund at June 30, 2011 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, 2011

Note 11 - Risk Management (Continued)

Changes in the fund's claims liability amount in 2010 and 2011 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
2011	\$	500,606	\$ 2,343,972	\$ 2,431,127	\$ 413,451

Note 12 – 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 agreed to provide the severance incentive payments described in the plan to a 403(b) contract or directly to the employee, provided the employee fulfilled 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 ranged from \$10,000 to \$40,000 per employee and depended upon the salary and position of the employee at the time of retirement. Nineteen employees qualified for early retirement incentive at June 30, 2010. Two out of three installments were paid as scheduled. A payment of \$252,800 was made on September 10, 2009 and a payment of \$260,800 was made on September 10, 2010. The balance of \$252,800 will be paid on September 10, 2011. It has been included as a component of long-term compensated absences and is classified as Due Within One Year on the financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 13 – 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 pension plan. SERS provides retirement and 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 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 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. 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, 2011, 2010 and 2009 were \$364,851, \$390,389 and \$272,218, respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 public employee retirement 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 13 – Defined Benefit Pension Plans (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2011, 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. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,204,186, \$1,176,589 and \$1,225,226, respectively; 81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$23,211 made by the School District and \$16,679 made by the plan members.

Note 14 - 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 2011, 1.43 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 2011, this amount was \$35,800.

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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 14 - Postemployment Benefits (Continued)

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,178, \$ 14,052, and \$124,579, respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, 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, 2011, 2010, and 2009 were \$23,479, \$23,216, and \$22,460, respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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. 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 calling (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 2011, 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, 2011, 2010, and 2009 were \$92,630, \$90,507, and \$94,248, respectively; 81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16 – Notes Payable

Note activity for the year ended June 30, 2011, consisted of the following:

	<u>Outstanding 6/30/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 6/30/2011</u>
Tax Anticipation Notes				
3.00% Maturity 6/1/2015	<u>1,985,175</u>	<u>0</u>	<u>220,575</u>	<u>1,764,600</u>

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, 2011 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Long-Term Tax Anticipation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	441,150	50,953	492,103
2013	441,150	37,365	478,515
2014	441,150	23,778	464,928
2015	<u>441,150</u>	<u>10,191</u>	<u>451,341</u>
Total	<u>\$ 1,764,600</u>	<u>\$ 122,287</u>	<u>\$ 1,886,887</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 17 - Long - Term Obligations

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

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011	Due Within One Year
Governmental Activities					
<i>Loans Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 340,975	\$ 0	\$ 62,301	\$ 278,674	\$ 65,118
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2015	394,536	0	58,707	335,829	61,361
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	563,666	0	40,679	522,987	42,518
Total Loans Payable	1,299,177	0	161,687	1,137,490	168,997
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	1,170,000	0	270,000	900,000	285,000
<i>Other Long-Term Liabilities</i>					
Capital Leases	1,425,000	1,500,000	55,000	2,870,000	122,000
Compensated Absences	1,134,455	0	77,580	1,056,875	0
Early Retirement Incentive	513,600	0	260,800	252,800	252,800
Total Other Long-Term Liabilities	3,073,055	1,500,000	393,380	4,179,675	374,800
Total Governmental Activities Long-Term Liabilities	\$ 5,542,232	\$ 1,500,000	\$ 825,067	\$ 6,217,165	\$ 828,797

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, 2011

Note 17 - Long - Term Obligations (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	School Improvement		
	Principal	Interest	Total
2012	285,000	35,981	320,981
2013	300,000	22,087	322,087
2014	315,000	7,481	322,481
Total	<u>\$ 900,000</u>	<u>\$ 65,549</u>	<u>\$ 965,549</u>

Principal and interest requirements to retire notes outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Energy Conversation Loans		
	Principal	Interest	Total
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	123,978	18,729	142,707
2017-2021	290,283	40,532	330,815
Total	<u>\$ 1,137,490</u>	<u>\$ 217,728</u>	<u>\$ 1,355,218</u>

Note 18 - Capitalized Lease

Capital lease obligation relates to lease-purchase agreements. During fiscal year 2008, the School District entered into a lease 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, 2011

Note 18 - Capitalized Lease (Continued)

During fiscal year 2011, the School District entered into a lease-purchase agreement for building and property renovations. The School District is leasing the project site from the Ohio School Building Leasing Corporation. Ohio School Building Leasing Corporation assigned Huntington National Bank as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is renovating facilities from the proceeds provided by the lessor. Huntington National Bank has sold Certificates of Participation (COPS) in the building lease. The School District will make annual lease payments to Huntington National Bank. Interest rates range between 1.75 and 5.75 percent. The lease is renewable annually and expires in 2028. The intention of the School District is to renew the lease annually.

The issuance costs of \$143,117 are reported as deferred charges and are being amortized over the life of the lease-purchase agreement using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$4,209.

As of June 30, 2011, \$642,384 of capital assets acquired by lease have been capitalized as construction in progress. There were no principal payments made in fiscal year 2011. The first principal payment is due on October 1, 2012. Payments will be made on the lease from the building fund.

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, 2011:

	Modular Units	Ohio School Building
Fiscal Year Ending June 30, 2012	\$ 125,089	\$ 135,749
2013	124,256	133,831
2014	124,324	132,547
2015	123,242	135,955
2016	123,062	133,853
2017-2021	607,378	681,640
2022-2026	590,797	682,404
2027-2029	231,153	282,258
Total	<u>2,049,301</u>	<u>2,318,237</u>
Less: Amount Representing Interest	<u>679,301</u>	<u>818,237</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,370,000</u>	<u>\$ 1,500,000</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 19 - 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, 2011 the School District paid \$73,445 to NEONET for basic service charges.

Portage Lakes Career Center

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

Interval Opportunity School

The Interval Opportunity School is a jointly governed organization of three area public districts, to provide "at risk students" with a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced. The Interval Opportunity School is governed by a Board of Directors comprised of the superintendents from Portage Lakes Career Center, Green Local School District and Coventry Local School District. The continued existence of the Interval Opportunity School is not dependent on the School District's continued participation and no equity interest exists.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 20 - Statutory Reserves

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

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.

	Textbooks	Capital Improvements
Set-aside Restricted Balance as of June 30, 2010	\$ 940,752	\$ 0
Current Year Set-aside Requirement	361,692	361,692
Contributions in Excess of the Current Fiscal Year		
Set-aside Requirement	0	0
Current Year Qualified Expenditures	(125,126)	(1,842,201)
Excess Qualified Expenditures from Prior Years	0	0
Current Year Offsets	0	0
Waiver Granted by the Department of Education	0	0
Prior Year Offset from Bond Proceeds	0	0
Totals	\$ 1,177,318	\$ (1,480,509)
Balance Carried Forward to Fiscal Year 2012	\$ 1,177,318	\$ 0
Set-aside Restricted Balance as of June 30, 2011	\$ 0	\$ 0

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 \$1,177,318. 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 "statutory established" general fund to cover this reserve. Effective July 1, 2011, textbook set-aside laws have been repealed.

Note 21: Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 21: Fund Balance (Continued)

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 43,675	\$ 43,675
Capital Outlay	0	740,090	740,090
Other Purposes	0	133,285	133,285
Total Restricted	<u>0</u>	<u>917,050</u>	<u>917,050</u>
Unassigned	(3,253,101)	(524,178)	(3,777,279)
<i>Total Fund Balance (Deficit)</i>	<u>\$ (3,253,101)</u>	<u>\$ 392,872</u>	<u>\$ (2,860,229)</u>

Note 22 - 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.

Note 23 – Contractual Commitments

As of June 30, 2011, the School District had the following contractual construction commitments:

Contractor	Contract Amount	Amount Paid to Date	Remaining Contract
Kerricook Construction Inc.	\$ 228,634	\$ 61,293	\$ 167,341
J S S Electric	148,267	0	148,267
Bayponinte Technology	130,974	0	130,974
EMOD, LLC	100,000	40,000	60,000
Olmstead Heating and Cooling	101,650	28,000	73,650
	<u>\$ 709,525</u>	<u>\$ 129,293</u>	<u>\$ 580,232</u>

Note 24 – Subsequent Events

For fiscal year ending June 30, 2012, the School District will be self-insured for only half of the fiscal year.

January 27, 2012

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 Coventry Local School District, (the "School District"), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 27, 2012. 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

Management of the School District is responsible for establishing and maintaining effective 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 certain deficiencies 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 School District'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 a material weakness, finding number 2011-001.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of findings and questioned costs* as item 2011-002.

We noted certain matters that we reported to management of the School District in a separate letter dated January 27, 2012.

The School District's responses to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

Rea & Associates, Inc.

January 27, 2012

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 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, 2011. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *schedule of findings and questioned costs* as item 2011-003.

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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying *schedule of findings and questioned costs* as item 2011-003. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's responses to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and 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.

Rea & Associates, Inc.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 (A)	10.553		\$ 99,863		\$ 99,863	
National School Lunch Program (A,B)	10.555		324,886	\$ 37,332	324,886	\$ 37,332
Total Child Nutrition Cluster			424,749	37,332	424,749	37,332
Total U.S. Department of Agriculture			424,749	37,332	424,749	37,332
<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	-		11,542	
ARRA - Title I Grants to Local Educational Agencies	84.389	2011	34,253		64,680	
ARRA - Title I Grants to Local Educational Agencies (Neglected)	84.389	2011	4,129		5,575	
Title I Grants to Local Educational Agencies	84.010	2010	59,062		52,374	
Title I Grants to Local Educational Agencies	84.010	2011	276,344		289,416	
Title I Grants to Local Educational Agencies (Neglected)	84.010	2010	8,591		3,012	
Title I Grants to Local Educational Agencies (Neglected)	84.010	2011	25,303		21,956	
Total Title I Cluster			407,682		448,555	
<i>Special Education Cluster</i>						
ARRA - Special Education - Grants to States	84.391	2010	34,849		28,229	
ARRA - Special Education - Grants to States	84.391	2011	256,623		245,935	
Special Education - Grants to States	84.027	2010	78,961		70,734	
Special Education - Grants to States	84.027	2011	377,515		370,047	
Total Special Education - Grants to States			747,948		714,945	
ARRA - Special Education - Preschool Grants (D)	84.392	2010	(3,015)		5,923	
ARRA - Special Education - Preschool Grants	84.392	2011	7,827		7,827	
Special Education - Preschool Grants	84.173	2010	1,799		2,444	
Total Special Education - Preschool Grants			6,611		16,194	
Total Special Education Cluster			754,559		731,139	
Safe and Drug-Free Schools and Communities - State Grants	84.186	2010	363		1,778	
Safe and Drug-Free Schools and Communities - State Grants	84.186	2011	-		-	
Total Safe and Drug-Free Schools and Communities - State Grants			363		1,778	
ARRA - Education Technology State Grants	84.386	2011	166,966		149,636	
Education Technology State Grants	84.318	2010	-		267	
Education Technology State Grants	84.318	2011	47,422		48,261	
Total Education Technology State Grants			214,388		198,164	
Improving Teacher Quality State Grants	84.367	2010	12,543		5,372	
Improving Teacher Quality State Grants	84.367	2011	60,528		59,086	
Total Improving Teacher Quality State Grants			73,071		64,458	
Education Jobs Fund	84.410	2011	158,974		155,238	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top	84.395	2011	3,245		2,520	
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	2010	-		103,265	
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	2011	276,545		243,041	
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			276,545		346,306	
Total U.S. Department of Education			1,888,827		1,948,158	
Total Federal Financial Assistance			\$ 2,313,576	\$ 37,332	\$ 2,372,907	\$ 37,332

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

Coventry Local School District
Summit County, Ohio

Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2011

Note A – Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Coventry Local School District (the “School District”) and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Child Nutrition Cluster

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

Note C – 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).

Note D – Matching Requirements

Certain federal programs require that the School District contribute non-Federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

Note E - Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2011, the ODE authorized the following transfers:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>	<u>Program</u> <u>Year</u>	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>
84.010	Title I Grants to Local Educational Agencies	2010	\$ 46,642	
84.010	Title I Grants to Local Educational Agencies	2011		\$ 46,642
84.027	Title VI-B Special Education - Grants to States	2010	19,031	
84.027	Title VI-B Special Education - Grants to States	2011		19,031
84.389	ARRA Title I Grants to Local Educational Agencies	2010	103,676	
84.389	ARRA Title I Grants to Local Educational Agencies	2011		103,676
84.391	ARRA Title VI-B Special Education - Grants to States	2010	270,051	
84.391	ARRA Title VI-B Special Education - Grants to States	2011		270,051
84.392	ARRA Special Education – Preschool Grants	2010	7,827	
84.392	ARRA Special Education – Preschool Grants	2011		7,82

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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)?	Yes
(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?	Yes
(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?	Yes
(d) (1) (vii)	Major Programs (list): Grants to Local Educational Agencies (Title I Cluster) Special Education Cluster State Fiscal Stabilization Fund Nutrition Cluster	CFDA # 84.010, 84.389 84.027, 84.391, 84.173,84.392 84.394 10.553, 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

Material Weakness

FINDING NUMBER	2011-001
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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, 2011

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

Material Weakness (Continued)

FINDING NUMBER	2011-001 (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.

Cause: The School District did not reconcile in a timely manner due to the resources available during the fiscal year.

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.

Management Response: Effective August 1, 2011, cash reconciliation will be done at the end of every month. All revenue will be reconciled, and all expenses will be verified. Non-cash entries will be posted and confirmed.

Material Non-Compliance

FINDING NUMBER	2011-002
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Criteria: Ohio Rev. Code 5705.10(H) states money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. Also, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2011

FINDING NUMBER	2011-002 (Continued)
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Condition Found: In June of 2011, the Treasurer advanced \$400,000 from the building fund (004) to the general fund (001) to cover a negative balance in the general fund. This advance is not an allowable advance since the general fund is unrestricted in nature, and the permanent improvement fund has very specific requirements for how the moneys are to be expended. Since the advance listed above is not an allowable advance, it created a negative balance in the general fund of \$387,439.

Cause: The School District is in fiscal watch and has been for numerous years. The general fund was going to end the year with a negative balance and the only fund with enough moneys to cover the deficit was the permanent improvement fund.

Effect: Non-compliance with Ohio Rev. Code 5705.10.

Recommendations: The School District should monitor cash balances in each fund, and adjust spending in order to prevent the funds from having a negative balance.

Management Response: Effective August 1, 2011, we will monitor all cash balances in each fund. Due to a severe cash flow issue at Coventry, we will try to prevent having a negative balance in any given fund.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Questioned Cost / Significant Deficiency / Non-compliance - Eligibility

FINDING NUMBER	2011-003
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CFDA Title and Number: Child Nutrition Cluster – CFDA #10.553, 10.555

Federal Award Number/Year: 2011

Federal Agency: U.S. Department of Agriculture

Pass-Through Agency: Ohio Department of Education

Criteria: 7 CFR part 245.3(a) states that each State agency, shall by July 1 of each year announce family-size income standards to be used by local educational agencies, as defined in Section 245.2, under the jurisdiction of such State agency, in making eligibility determinations for free or reduced price meals and for free milk. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the Federal Register.

42 U.S.C. §175(b)(1) states the income guidelines for determining eligibility for free lunches shall be 130 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B). The income guidelines for determining eligibility for reduced price lunches for any school year shall be 185 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B).

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2011

FINDING NUMBER	2011-003 (Continued)
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Condition Found: During our eligibility testing, we found four out of sixty students tested were receiving free and reduced lunch benefits when they were not qualified.

Cause: The students were selected for verification testing. The food service coordinator properly verified their eligibility, however, did not properly update the system.

Effect: The four students tested received improper benefits, as a result there are known questioned costs in the amount of \$1,794. Projected questioned costs exceed \$10,000.

Management Response: The Food Service Director realizes the error and has personally set controls in place to avoid this from happening in the future.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Material Weakness; Maintaining internal controls over the cash reconciliation process	No	Not Corrected; Re-issued as 2011-001

January 27, 2012

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

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

1. We noted the School District amended its anti-harassment policy at its meeting on April 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 and is not intended to be and should not be used by anyone other than these specified parties.

Rea & 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
APRIL 10, 2012