

# **Coventry Local School District**

*Basic Financial Statements*

*For Fiscal Year Ended June 30, 2008*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 19, 2009

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**COVENTRY LOCAL SCHOOL DISTRICT**

*For the Year Ended June 30, 2008  
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**COVENTRY LOCAL SCHOOL DISTRICT**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 30, 2008

The Board of Education  
Coventry Local School District  
3257 Cormany Rd.  
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 Coventry Local School District (the School District), as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position, cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008 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 is supplementary information required by the 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 Coventry Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hea & Associates, Inc.*



**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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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, 2008. 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 2008 are as follows:

- General Revenues accounted for nearly \$14.1 million in revenue or 66% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions, accounted for approximately \$7.2 million or 34% of total revenues of \$21.3 million.
- Total program expenses were \$22.9 million in Governmental Activities.
- In total, net assets of Governmental Activities decreased approximately \$1.5 million from 2007.
- Outstanding bonded debt and notes decreased from \$3.6 million to \$3.3 million through the payment of bond and note principal.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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**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 2008 compared to 2007:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 10,881,249	\$ 12,184,018
Capital Assets	4,569,071	4,200,502
Total Assets	15,450,320	16,384,520
<b>Liabilities</b>		
Long-Term Liabilities	5,970,467	4,693,859
Other Liabilities	11,628,022	12,313,200
Total Liabilities	17,598,489	17,007,059
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,399,071	2,300,503
Restricted	1,443,718	1,073,901
Unrestricted (Deficit)	(4,990,958)	(3,996,943)
Total Net Assets	\$ (2,148,169)	\$ (622,539)

Overall, assets decreased by approximately \$934,000 and liabilities increased approximately \$591,000 resulting in a decrease in net assets of \$1.5 million. Several significant changes occurred which caused the assets to decrease. Equity in pooled cash and cash equivalents decreased \$1,147,731 as a result of operating revenues of the general fund not keeping pace with operating costs. Offsetting this decrease was the increase in net capital assets of \$368,569. The increase in liabilities was primarily due to issuance of lease-purchase agreement for \$1,500,000 for the construction of modular buildings and other building maintenance. The overall increase was offset by retirement of debt outstanding during fiscal year 2008.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

Table 2 shows the changes in net assets for fiscal year 2008. 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	
	2008	2007
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 5,393,763	\$ 5,463,589
Operating Grants	1,778,892	1,653,082
Capital Grants	16,154	0
<i>General Revenue:</i>		
Property Taxes	9,044,707	9,553,940
Grants and Entitlements	4,890,236	4,684,113
Other	209,746	256,353
<i>Total Revenues</i>	21,333,498	21,611,077
<b>Program Expenses</b>		
Instruction	12,262,464	11,697,320
Support Services	8,744,022	8,198,054
Operation of Non-Instructional	396,364	259,224
Food Service	744,420	752,445
Extracurricular Activities	489,727	402,109
Interest and Fiscal Charges	222,131	186,423
<i>Total Expenses</i>	22,859,128	21,495,575
<i>Increase in Net Assets</i>	(1,525,630)	115,502
<i>Net Assets Beginning of Year</i>	(622,539)	(738,041)
<i>Net Assets End of Year</i>	\$ (2,148,169)	\$ (622,539)

Overall revenue decreased approximately \$278,000 over fiscal year 2007. Program expenses increased \$1.4 million in 2008, up to \$22.8 million in 2008. The increase in total program expenses reflects increases in operating expenses to provide instructional and support services to the students of the School District.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$14,144,689 or 66.3% 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 \$7,188,809 or 33.7% of total revenue.

Instructional expenses comprise 53.6% of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, and pupil transportation encompassed an additional 38.3%. The remaining 8.1% of program expenses is used for other obligations of the School District such as food service and extracurricular activities.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$21.3 million and expenses of \$22.9 million.

**(Table 3)**  
**Governmental Activities**

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 12,262,464	\$ 6,711,905	\$ 11,697,320	\$ 5,766,660
Support Services:				
Pupils and Instructional Staff	2,079,768	1,615,056	1,958,570	1,888,884
Board of Education, Administration				
Fiscal and Business	2,664,020	2,595,088	2,708,790	2,708,790
Operation and Maintenance of Plant	2,791,482	2,791,482	2,482,388	2,482,388
Pupil Transportation and Central	1,208,752	1,127,376	1,048,306	1,040,370
Operation of Non-Instructional Services	396,364	156,924	259,224	259,224
Food Service	744,420	15,421	752,445	(14,902)
Extracurricular Activities	489,727	434,936	402,109	61,067
Interest Charges	222,131	222,131	186,423	186,423
<b>Total</b>	<b>\$ 22,859,128</b>	<b>\$ 15,670,319</b>	<b>\$ 21,495,575</b>	<b>\$ 14,378,904</b>

Instruction, Pupils and Instructional Staff a comprise 62.7% of governmental program expenses. Pupil Transportation, Central and the Operation/Maintenance of Plant account for 17.5% of governmental program expenses.

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

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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***The School District's Funds***

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues were \$21,371,832 and expenditures were \$23,164,970. The School District's only major fund, the general fund, reported a significant reduction in fund balance in the amount of \$937,953, which was caused by operating revenues not keeping pace with operating expenditures.

***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 2008, there were minor 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 was \$18.4 million, which is under the original budget estimate of \$20.6 million. Of the over \$2.1 million decrease, most was attributable to property tax revenues.

Final appropriations of nearly \$21 million were under original appropriations of \$22.8 million. This reduction was attributed to some cost savings measures the School District was able to implement based on revenues being lower than initially projected.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2008, the School District had \$4.6 million invested in land, building improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared with 2007 net of depreciation.

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

	Governmental Activities	
	2008	2007
Land	\$ 544,210	\$ 544,210
Construction in Progress	0	695,564
Buildings and Improvements	3,490,248	2,171,299
Furniture and Equipment	339,762	617,376
Vehicles	194,851	172,054
Totals	\$ 4,569,071	\$ 4,200,503

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

The approximately \$370,000 increase in capital assets was attributable to additions exceeding depreciation expense primarily from the completion of modular buildings. See Note 9 to the basic financial statements for detail on the School District's capital assets.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2008, this amounted to \$362,308 for each set aside. The School District did not incur enough qualifying disbursements to completely offset these requirements for capital improvement and textbooks. See Note 19 for additional information.

**Debt**

At June 30, 2008, the School District had \$3,271,872 in bonds and notes outstanding with \$393,002 due within one year. During fiscal year 2008, \$375,220 of general obligation bonds and notes were retired. Table 5 summarizes bonds and notes outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2008	2007
Notes Payable:		
HB264 Energy Conservation Loan	\$ 457,609	\$ 513,112
Energy Conservation Loan Phase #2	504,441	556,995
Energy Conservation Loan Phase #3	639,822	676,985
	1,601,872	1,747,092
General Obligation Bonds Payable:		
School Improvement Bonds	1,670,000	1,900,000
Total Debt	\$ 3,271,872	\$ 3,647,092

HB#264 Energy Conservations Loans were used for window replacement at the Middle School and the Junior High School. All buildings were upgraded with more cost efficient lighting. The school improvement bonds were for improvements to the buildings and the bus acquisition bonds were use to purchase new buses. See Note 15 to the basic financial statements for detail on the School District's long-term obligations.

***Current Issues***

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

The School District, in turn, relies on its local property taxpayers. The last operating levy was passed in 2003, for 9.96 mills, 5-year emergency levy. The five-year forecast projects a deficit in fiscal year 2009. With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases,

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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with the exception of inside millage and new construction. Thus, as a school district is dependent upon property taxes, and with a decline in the State Foundation, the School District will need to request a renewal of the 2003 levy when it expires as well as property tax increases to maintain a constant level of service. It is likely, however, that the District will reach the 20-mill floor after the 2008 appraisal. This should allow an inflationary revenue growth in real property taxes beginning at that time.

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, 2008

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,126,890
Cash and Cash Equivalents in Segregated Accounts	48,328
Receivables:	
Accounts	414,514
Taxes	9,188,844
Intergovernmental	102,673
Nondepreciable Capital Assets	544,210
Depreciable Capital Assets (Net)	<u>4,024,861</u>
<i>Total Assets</i>	<u>15,450,320</u>
<b>Liabilities:</b>	
Accounts Payable	157,495
Accrued Wages and Benefits	1,826,140
Intergovernmental Payable	695,091
Accrued Vacation Leave Payable	32,962
Matured Compensated Absences Payable	55,429
Deferred Revenue	8,335,499
Claims Payable	525,406
Long -Term Liabilities:	
Due Within One Year	498,969
Due in More Than One Year	<u>5,471,498</u>
<i>Total Liabilities</i>	<u>17,598,489</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,399,071
Restricted for:	
Debt Service	27,152
Capital Projects	21,104
Other Purposes	233,417
Set Asides	1,162,045
Unrestricted	<u>(4,990,958)</u>
<i>Total Net Assets</i>	<u>\$ (2,148,169)</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 9,272,962	\$ 4,499,852	\$ 256,069	\$ 0	\$ (4,517,041)
Special	2,168,537	372,592	409,105	0	(1,386,840)
Vocational	244,249	12,941	0	0	(231,308)
Other	576,716	0	0	0	(576,716)
Support Services:					
Pupils	976,217	0	137,350	0	(838,867)
Instructional Staff	1,103,551	11,053	316,309	0	(776,189)
Board of Education	48,346	0	0	0	(48,346)
Administration	2,014,912	0	68,932	0	(1,945,980)
Fiscal	566,216	0	0	0	(566,216)
Business	34,546	0	0	0	(34,546)
Operation and Maintenance of Plant	2,791,482	0	0	0	(2,791,482)
Pupil Transportation	1,039,280	73,431	0	0	(965,849)
Central	169,472	0	7,945	0	(161,527)
Operation of Non-Instructional Services	396,364	5,636	217,650	16,154	(156,924)
Food Service Operations	744,420	363,467	365,532	0	(15,421)
Extracurricular Activities	489,727	54,791	0	0	(434,936)
Interest and Fiscal Charges	222,131	0	0	0	(222,131)
<i>Total Governmental Activities</i>	<u>\$ 22,859,128</u>	<u>\$ 5,393,763</u>	<u>\$ 1,778,892</u>	<u>\$ 16,154</u>	<u>(15,670,319)</u>

**General Revenues**

Property Taxes Levied for:		
General Purposes		8,738,382
Debt Service		306,325
Grants and Entitlements not		
Restricted to Specific Programs		4,890,236
Investment Earnings		123,403
Miscellaneous		86,343
<i>Total General Revenues</i>		<u>14,144,689</u>
<i>Change in Net Assets</i>		(1,525,630)
<i>Net Assets Beginning of Year</i>		<u>(622,539)</u>
<i>Net Assets End of Year</i>		<u>\$ (2,148,169)</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2008*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 412,548	\$ 412,548
Cash and Cash Equivalents in Segregated Accounts	0	48,328	48,328
Restricted Cash and Cash Equivalents	628,656	0	628,656
Receivables:			
Accounts	414,300	214	414,514
Taxes	8,896,474	292,370	9,188,844
Interfund	261,376	90	261,466
Intergovernmental	0	102,673	102,673
<i>Total Assets</i>	<u>\$ 10,200,806</u>	<u>\$ 856,223</u>	<u>\$ 11,057,029</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 100,086	\$ 57,409	\$ 157,495
Accrued Wages and Benefits	1,678,554	147,586	1,826,140
Interfund Payable	0	261,466	261,466
Intergovernmental Payable	620,354	74,737	695,091
Accrued Vacation Payable	32,962	0	32,962
Matured Compensated Absences Payable	55,429	0	55,429
Deferred Revenue	8,437,341	337,739	8,775,080
<i>Total Liabilities</i>	10,924,726	878,937	11,803,663
<b>Fund Balances:</b>			
Reserved for Encumbrances	118,181	44,729	162,910
Reserved for Tax Revenue Unavailable for Appropriation	571,910	18,795	590,705
Reserved for Textbooks/Instructional Materials	484,393	0	484,393
Reserved for Capital Improvement	677,652	0	677,652
Unreserved:			
Undesignated, Reported in:			
General Fund	(2,576,056)	0	(2,576,056)
Special Revenue Funds	0	(107,342)	(107,342)
Capital Projects Funds	0	21,104	21,104
<i>Total Fund Balances</i>	<u>(723,920)</u>	<u>(22,714)</u>	<u>(746,634)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,200,806</u>	<u>\$ 856,223</u>	<u>\$ 11,057,029</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, 2008*

<b>Total Governmental Fund Balances</b>	\$	(746,634)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,569,071
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 64,164	
Excess Cost	112,777	
Delinquent Property Taxes	262,639	439,580
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 and Notes	(3,271,872)	
Capital Lease Payable	(1,500,000)	(4,771,872)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,150,595)	
Early Retirement Incentive	(48,000)	(1,198,595)
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.		(439,719)
 <b>Net Assets of Governmental Activities</b>	 \$	 <u><u>(2,148,169)</u></u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 8,652,668	\$ 306,325	\$ 8,958,993
Intergovernmental	4,890,235	1,739,194	6,629,429
Investment Income	108,098	15,305	123,403
Tuition and Fees	4,779,285	164,720	4,944,005
Extracurricular Activities	16,230	116,640	132,870
Charges for Services	81,546	363,467	445,013
Rentals	0	5,636	5,636
Gifts and Donations	0	49,011	49,011
Miscellaneous	71,958	11,514	83,472
<i>Total Revenues</i>	18,600,020	2,771,812	21,371,832
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	8,453,660	576,681	9,030,341
Special	1,775,399	349,511	2,124,910
Vocational	235,975	0	235,975
Other	557,762	18,146	575,908
Support Services:			
Pupils	796,588	130,689	927,277
Instructional Staff	848,523	240,579	1,089,102
Board of Education	48,346	0	48,346
Administration	1,918,893	71,028	1,989,921
Fiscal	565,947	0	565,947
Business	34,546	0	34,546
Operation and Maintenance of Plant	2,355,455	14,090	2,369,545
Pupil Transportation	1,037,159	13,126	1,050,285
Central	159,964	7,779	167,743
Operation of Non-Instructional Services	72,170	267,265	339,435
Food Service	9,097	758,027	767,124
Extracurricular Activities	401,016	86,331	487,347
Capital Outlay	6,067	757,800	763,867
Debt Service:			
Principal Retirement	145,220	230,000	375,220
Interest and Fiscal Charges	75,203	146,928	222,131
<i>Total Expenditures</i>	19,496,990	3,667,980	23,164,970
<i>Excess of Revenues Over (Under) Expenditures</i>	(896,970)	(896,168)	(1,793,138)
<b>Other Financing Sources (Uses):</b>			
Proceeds from Lease-Purchase Agreement	0	1,500,000	1,500,000
Transfers In	0	40,983	40,983
Transfers Out	(40,983)	0	(40,983)
<i>Total Other Financing Sources and (Uses)</i>	(40,983)	1,540,983	1,500,000
<i>Net Change in Fund Balance</i>	(937,953)	644,815	(293,138)
<i>Fund Balance (Deficit) at Beginning of Year</i>	214,033	(667,529)	(453,496)
<i>Fund Balance (Deficit) at End of Year</i>	\$ (723,920)	\$ (22,714)	\$ (746,634)

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(293,138)
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.

Capital Asset Additions	\$	922,264	
Current Year Depreciation		(321,402)	600,862

Net effect of transactions involving disposal of capital assets are not reflected in the funds.		(232,293)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants		55,850	
Excess Costs		(179,899)	
Delinquent Property Taxes		85,715	(38,334)

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

Note Principal		145,220	
Bond Principal		230,000	375,220

Issuance of a capital lease agreement in the governmental funds increase long-term liabilities in the statement of net assets		(1,500,000)
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Some expenses (compensated absences payable) reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated Absences		(151,828)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

		(286,119)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>(1,525,630)</b>
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**Coventry Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 10,133,260	\$ 8,874,880	\$ 8,936,631	\$ 61,751
Intergovernmental	4,676,191	4,856,444	4,890,235	33,791
Investment Income	198,776	107,351	108,098	747
Tuition and Fees	5,294,474	4,446,910	4,477,852	30,942
Extracurricular	22,068	16,118	16,230	112
Charges for Services	175,393	80,983	81,546	563
Miscellaneous	57,267	54,276	17,786	(36,490)
<i>Total Revenues</i>	<u>20,557,429</u>	<u>18,436,962</u>	<u>18,528,378</u>	<u>91,416</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	10,302,483	9,161,695	8,815,527	346,168
Special	1,716,586	1,775,124	1,756,664	18,460
Vocational	194,576	252,360	239,795	12,565
Other	978,733	587,618	564,204	23,414
Support Services				
Pupils	671,083	863,396	823,648	39,748
Instructional Staff	855,619	870,294	929,620	(59,326)
Board of Education	98,478	40,911	41,659	(748)
Administration	1,739,282	2,014,273	1,926,535	87,738
Fiscal	676,232	597,323	569,197	28,126
Business	39,589	35,441	33,676	1,765
Operation and Maintenance of Plant	2,862,221	2,216,798	2,312,854	(96,056)
Pupil Transportation	987,052	1,104,816	1,067,683	37,133
Central	162,938	147,530	140,532	6,998
Operation of Non-Instructional Services				0
Food Service	42,182	8,393	9,097	(704)
Community Services	111,342	77,292	73,506	3,786
Extracurricular Activities	402,830	432,270	411,329	20,941
Capital Outlay	10,159	9,952	9,634	318
Debt Service				
Principal Retirement	320,549	151,152	145,220	5,932
Interest & Fiscal Charges	78,272	80,821	75,203	5,618
<i>Total Expenditures</i>	<u>22,250,206</u>	<u>20,427,459</u>	<u>19,945,583</u>	<u>481,876</u>
Excess of Revenues Over (Under) Expenditures	(1,692,777)	(1,990,497)	(1,417,205)	573,292
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	61,892	53,708	54,082	374
Refund of Prior Year Expenditures	52,183	17,011	17,129	118
Advance In	472,587	416,271	419,167	2,896
Transfers Out	(78,169)	(43,131)	(40,983)	2,148
Advance Out	(523,577)	(290,721)	(276,246)	14,475
<i>Total Other Financing Sources (Uses)</i>	<u>(15,084)</u>	<u>153,138</u>	<u>173,149</u>	<u>20,011</u>
<i>Net Change in Fund Balance</i>	(1,707,861)	(1,837,359)	(1,244,056)	593,303
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,146,886	1,146,886	1,146,886	0
Prior Year Encumbrances Appropriated	553,874	553,874	553,874	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (7,101)</u>	<u>\$ (136,599)</u>	<u>\$ 456,704</u>	<u>\$ 593,303</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2008*

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	<b>Governmental Activities Internal Service Fund</b>
	<hr/>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 85,687
	<hr/>
<b>Liabilities</b>	
Claims Payable	525,406
	<hr/>
<b>Net Assets</b>	
Unrestricted	\$ (439,719)
	<hr/> <hr/>

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, 2008*

	<b>Governmental Activities Internal Service Fund</b>
<b>Operating Revenues:</b>	
Charges for Services	\$ 3,060,014
<b>Operating Expenses:</b>	
Purchased Services	295,504
Claims	3,050,629
<i>Total Operating Expenses</i>	3,346,133
<i>Operating Income (Loss)</i>	(286,119)
<i>Net Assets (Deficit) Beginning of Year</i>	(153,600)
<i>Net Assets (Deficit) End of Year</i>	\$ (439,719)

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, 2008

	<u><b>Governmental Activities Internal Service Fund</b></u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received for Charges for Services	\$ 3,060,014
Cash Paid for Goods and Services	(295,504)
Cash Paid for Claims	<u>(2,862,685)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(98,175)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(98,175)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>183,862</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 85,687</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (286,119)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	<u>187,944</u>
<i>Total Adjustments</i>	<u>187,944</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (98,175)</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 71,845
Cash and Cash Equivalents in Segregated Accounts	38,075	0
Investments in Segregated Accounts	24,421	0
Accounts Receivable	0	3,369
Total Assets	<u>62,496</u>	<u>75,214</u>
<b>Liabilities:</b>		
Accounts Payable	0	\$ 14,771
Due to Students	0	60,443
Total Liabilities	<u>0</u>	<u>75,214</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>\$ 62,496</u>	

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, 2008*

	Private Purpose Trust
<b>Additions:</b>	
Gifts and Contributions	\$ 500
Interest	1,982
Total Additions	2,482
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	500
<i>Change in Net Assets</i>	1,982
<i>Net Assets Beginning of Year</i>	60,514
<i>Net Assets End of Year</i>	\$ 62,496

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, 2008*

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**Note 1 - Description of The School District**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's six instructional support facilities staffed by 126 classified employees and 191 certified full-time teaching personnel who provide services to 2,478 students and other community members.

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

***Reporting Entity***

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

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

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

The School District participates in three jointly governed organizations and one public entity risk pool. These organizations include Northeast Ohio Network for Educational Technology (NEONET), Portage Lakes Career Center, Interval Opportunity School, and the one public entity risk pool is the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 10 and 18 to the basic financial statements.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies**

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

***Implementation of New Accounting Policies***

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”.

Implementation of these GASB Statements 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, 2008*

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**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.

**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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

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

**C. Measurement Focus**

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

**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.



**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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***D. Basis of Accounting***

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

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

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

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

***Deferred 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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. See Note 17 for a summary of the School District's 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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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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 "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" which are for special trusts and private purpose trust funds.

During fiscal year 2008, investments were limited to certificates of deposits, stocks and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Repurchase agreements are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$108,098 which includes \$18,820 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and capital improvements. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***G. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Coventry Local School District**  
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All reported capital assets except land and construction in progress 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.

For 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 employees who have accumulated leave are 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, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

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***J. Net Assets***

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

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

***K. Fund Balance Reserves***

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

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

***L. Operating Revenues and Expenses***

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

***M. Interfund Activity***

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

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

**Coventry Local School District**  
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***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 2008.

***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 2008.

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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 3 - Fund Deficits**

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
General Fund	\$ 723,920
Nonmajor Governmental Funds:	
Food Service	332,648
District Managed Students Activities	2,198
Auxiliary Services	4,255
Public School Pre-school	19,726
Disadvantaged Pupil Impact Act	1
Network Connectivity	3
Building Incentive Grant	15,577
IDEA Special Education	28,711
Drug Free School Grant	108
E-Rate	3,052
Improving Teacher Quality	1,634

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

**Note 4 - Budgetary Basis of Accounting**

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

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

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

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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	\$ (937,953)
Net Adjustment for Revenue Accruals	418,734
Net Adjustment for Expenditure Accruals	(559,930)
Adjustment for Encumbrances	<u>(164,907)</u>
Budget Basis	<u><u>\$ (1,244,056)</u></u>

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
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

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- 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.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the government 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's investment policy does not address custodial credit risk for investments.

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$1,020,138 and the bank balance was \$1,190,555. Of the bank balance:

1. \$136,283 of the bank balance was covered by depository insurance; and



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2. \$1,054,272 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** - Investments are reported at fair value. As of June 30, 2008, the School District had the following investments:

	Fair Value	Maturity 0-12 Months
Sweep Repurchase Agreement	\$ 265,000	\$ 265,000
A. G. Edwards - Stock Portfolio	24,421	N/A
	\$ 289,421	\$ 265,000

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

**Credit Risk:** The School District investments during June 30, 2008 included an overnight repurchase account which is not rated by Standard & Poor's or Moody's Investors Service. 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.

**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 and overnight repurchase account exceeded more than 5% of the School District's investments.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2008 represents collections of calendar year 2007 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 2008 represents collections of calendar year 2007 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.

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Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008 on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 % of true value for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 School 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 will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at year-end was \$571,910 in the general fund and \$18,795 in the bond retirement debt service fund, and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Valuation	%	Valuation	%
Agricultural/Residential and Other Real Estate	\$ 261,002,260	80.55%	\$ 263,011,870	81.31%
Commercial/Industrial	51,072,060	15.76%	51,895,920	16.04%
Public Utility				
Personal	7,520,180	2.32%	5,820,430	1.80%
Tangible Personal				
Property	4,432,143	1.37%	2,739,245	0.85%
Total	<u>\$ 324,026,643</u>	<u>100.00%</u>	<u>\$ 323,467,465</u>	<u>100.00%</u>

Tax Rate per \$1,000 of Assessed Valuation	\$65.50	\$65.43
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**Note 7 - Interfund Transactions**

Interfund balances at June 30, 2008 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 261,376	\$ 0
Nonmajor Governmental Funds:	90	261,466
Total	<u>\$ 261,466</u>	<u>\$ 261,466</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2008, all interfund payables outstanding are anticipated to be repaid in fiscal year 2008.

The following is a summarized breakdown of the School District's transfers for fiscal year 2008:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 40,983
Nonmajor Governmental Fund:		
District Managed Student Activities	40,983	0
	<u>\$ 40,983</u>	<u>\$ 40,983</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**Note 8 - Receivables**

Receivables at June 30, 2008 consisted of taxes, accounts, interfund, tuitions, 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.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/08</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 544,210	\$ 0	\$ 0	\$ 544,210
Construction in Progress	695,564	0	695,564	0
Total Capital Assets, not being depreciated:	1,239,774	0	695,564	544,210
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	7,522,261	1,492,181	0	9,014,442
Furniture and Equipment	2,529,798	56,747	477,503	2,109,042
Vehicles	725,200	68,900	0	794,100
Total Capital Assets, being depreciated	10,777,259	1,617,828	477,503	11,917,584
Less Accumulated Depreciation:				
Buildings and Improvements	(5,350,963)	(173,231)	0	(5,524,194)
Furniture and Equipment	(1,912,422)	(102,068)	(245,210)	(1,769,280)
Vehicles	(553,146)	(46,103)	0	(599,249)
Total Accumulated Depreciation	<u>(7,816,531)</u>	<u>(321,402)</u>	<u>(245,210)</u>	<u>(7,892,723)</u>
Total Capital Assets being depreciated, net	<u>2,960,728</u>	<u>1,296,426</u>	<u>232,293</u>	<u>4,024,861</u>
Governmental Capital Assets, net	<u>\$ 4,200,502</u>	<u>\$ 1,296,426</u>	<u>\$ 927,857</u>	<u>\$ 4,569,071</u>

**Coventry Local School District**  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 59,297
Special	4,109
Vocational	859
Other	808
Support Services:	
Pupil	1,306
Instructional Staff	8,157
Administration	409
Operation and Maintenance of Plant	188,180
Pupil Transportation	40,960
Operation of Non Instructional	9,845
Food Service	5,512
Extracurricular Activities	<u>1,960</u>
Total Depreciation	<u>\$ 321,402</u>

#### **Note 10 - Risk Management**

##### ***Property and Liability***

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

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

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

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

##### ***Workers' Compensation***

For fiscal year 2008, 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.

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

***Self Insurance***

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2008, a total expense of \$3,346,133 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$525,406 reported in the fund at June 30, 2008 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as interfund transactions.

Changes in the fund's claims liability amount in 2007 and 2008 were:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2008	\$	337,462	3,050,629	2,862,685	\$ 525,406
2007	\$	758,593	2,022,239	2,443,370	\$ 337,462

**Note 11 - 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.

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 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.

**Note 12 – Defined Benefit Pension Plans**

***A. School Employees Retirement System***

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% 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 2008, 9.16% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The District’s contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$247,980, \$314,032 and \$307,482, respectively; 35% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$244,477 represents the unpaid contributions for fiscal year 2008, and is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

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

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*For the Fiscal Year Ended June 30, 2008*

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,116,941, \$1,170,956 and \$1,129,509, respectively; 83% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$11,018 made by the School District and \$24,666 made by the plan members.

**Note 13 - Postemployment Benefits**

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



**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$113,161, \$100,561 and \$98,463, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68%. The School District's contributions for the year ended June 30, 2008 were \$17,868, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$113,161, \$100,561 and \$98,463, respectively.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**Note 14 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**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, 2008*

**Note 15 - Long - Term Obligations**

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

	Balance 6/30/2007	Additions	Reductions	Balance 6/30/2008	Due Within One Year
<b>Governmental Activities</b>					
<i>Notes Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 513,112	\$ 0	\$ 55,503	\$ 457,609	\$ 57,028
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2005	556,995	0	52,554	504,441	53,738
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	676,985	0	37,163	639,822	37,236
Total Notes Payable	<u>1,747,092</u>	<u>0</u>	<u>145,220</u>	<u>1,601,872</u>	<u>148,002</u>
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	1,900,000	0	230,000	1,670,000	245,000
<i>Other Long-Term Liabilities</i>					
Capital Leases	0	1,500,000	0	1,500,000	22,000
Compensated Absences	998,767	239,757	87,929	1,150,595	67,967
Early Retirement Incentive	48,000	8,000	8,000	48,000	16,000
Total Other Long-Term Liabilities	<u>1,046,767</u>	<u>1,747,757</u>	<u>95,929</u>	<u>2,698,595</u>	<u>105,967</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,693,859</u>	<u>\$ 1,747,757</u>	<u>\$ 471,149</u>	<u>\$ 5,970,467</u>	<u>\$ 498,969</u>

Energy Conservation Notes – On January 10, 2000, the School District issued \$834,205 for the purpose of providing energy conservation measures for the School District. The notes were issued for a fifteen year period with final maturity during fiscal 2015. On March 1, 2000, the School District issued another \$842,535 for energy conservation measures for a fifteen year period with final maturity during fiscal year 2016. On June 13, 2005 the School District issued \$709,533 for the purpose making energy improvements to various school buildings in the district. The 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 will be paid from the general fund; and school improvement bonds will be paid from the debt service fund. The compensated absences and early retirement incentive will be paid from the funds which the employee's salaries are paid. In prior years this has primarily been paid by the general fund. Capital leases will be paid from the general fund.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	School Improvement		
	Principal	Interest	Total
2009	\$ 245,000	\$ 73,507	\$ 318,507
2010	255,000	61,632	316,632
2011	270,000	49,163	319,163
2012	285,000	35,981	320,981
2013	300,000	22,087	322,087
2014	315,000	7,481	322,481
Total	<u>\$ 1,670,000</u>	<u>\$ 249,851</u>	<u>\$ 1,919,851</u>

Principal and interest requirements to retire notes outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Energy Conversation Loans		
	Principal	Interest	Total
2009	\$ 148,002	\$ 72,422	\$ 220,424
2010	154,693	65,730	220,423
2011	161,687	58,737	220,424
2012	168,997	51,427	220,424
2013	176,638	43,786	220,424
2014-2018	610,048	105,833	715,881
2019-2021	181,807	16,682	198,489
Total	<u>\$ 1,601,872</u>	<u>\$ 414,617</u>	<u>\$ 2,016,489</u>

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

**Note 16 - Capitalized Leases**

Capital lease obligations relate to a lease-purchase agreement for modular buildings. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No.13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis.

The 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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

	Fiscal Year Ending June 30, 2009	\$ 129,647
	2010	124,240
	2011	123,686
	2012	123,034
	2013	122,286
	2014 - 2018	607,172
	2019 - 2023	595,112
	2024 - 2027	581,194
	Total	<u>2,406,371</u>
	Less: Amount Representing Interest	<u>(906,371)</u>
	Present Value of Net Minimum Lease Payments	<u><u>\$ 1,500,000</u></u>

**Note 17 – Deferred Revenue**

Deferred revenue at June 30, 2008 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 8,335,499	\$ 8,598,139
Excess Cost	0	112,777
Grants Receivable	0	64,164
	<u>\$ 8,335,499</u>	<u>\$ 8,775,080</u>

**Note 18 - Jointly Governed Organizations and Public Entity**

*Northeast Ohio Network for Educational Technology*

The Northeastern Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2008 the School District paid approximately \$68,186 to NEONET for basic service charges.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

***Portage Lakes Career Center***

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

***Interval Opportunity School***

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

**Note 19 - Statutory Reserves**

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2007	\$ 511,099	\$ 357,137	\$ 868,236
Current Year Set-Aside Requirement	362,308	362,308	724,616
Qualifying Disbursements	(195,755)	(235,052)	(430,807)
Total	<u>\$ 677,652</u>	<u>\$ 484,393</u>	<u>\$ 1,162,045</u>
Cash Balance Carried Forward FY 2009	<u>\$ 677,652</u>	<u>\$ 484,393</u>	<u>\$ 1,162,045</u>
Restricted Cash			<u>\$ 1,162,045</u>

Cash balances in the general fund were not sufficient enough to report the full amount of equity in pooled cash and cash equivalents (restricted) for statutory reserves on the balance sheet. As a result, only \$628,656 of the total \$1,162,045 is reported.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 20 - Fiscal Watch**

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

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December 30, 2008

To the Board of Education  
Coventry Local School District  
3257 Cormany Rd.  
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 accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Coventry Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coventry Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Coventry Local School District  
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  
December 30, 2008  
Page 2

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coventry Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Coventry Local School District in a separate letter dated December 30, 2008.

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

*Hea & Associates, Inc.*



December 30, 2008

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

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

Compliance

We have audited the compliance of the Coventry Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Coventry Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Coventry Local School District's management. Our responsibility is to express an opinion on Coventry Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars 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 Coventry Local School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Coventry Local School District's compliance with those requirements.

In our opinion, Coventry Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Coventry Local 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 Coventry Local 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, 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 Coventry Local School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

*Hea & Associates, Inc.*

**COVENTRY LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education</b>					
<b>(Passed Through Ohio Department of Education):</b>					
Title I	84.010	Neglected	\$ 18,230	\$ 15,051	\$ 0
Title I	84.010	2006-2007	962	38,405	0
Title I	84.010	2007-2008	122,279	76,668	0
Total Title I			<u>141,471</u>	<u>130,124</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	2006-2007	102,966	119,500	0
IDEA-B	84.027	2007-2008	580,777	552,215	0
Total IDEA-B			<u>683,743</u>	<u>671,715</u>	<u>0</u>
Preschool Grants	84.173	2006-2007	5,863	0	0
Preschool Grants	84.173	2007-2008	17,023	21,566	0
Total Preschool Grants			<u>22,886</u>	<u>21,566</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>706,629</u>	<u>693,281</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	2006-2007	234	1,875	0
Safe and Drug-Free Schools and Communities	84.186	2007-2008	2,661	1,208	0
Total Safe and Drug-Free Schools and Communities			<u>2,895</u>	<u>3,083</u>	<u>0</u>
Title V	84.298	2006-2007	408	2,107	0
Title V	84.298	2007-2008	1,699	3,489	0
Total Title V			<u>2,107</u>	<u>5,596</u>	<u>0</u>
Title II-D	84.318	2006-2007	170	1,457	0
Title II-D	84.318	2007-2008	1,077	297	0
Total Title II-D			<u>1,247</u>	<u>1,754</u>	<u>0</u>
Title II-A	84.367	2006-2007	12,271	13,848	0
Title II-A	84.367	2007-2008	51,428	74,839	0
Total Title II-A			<u>63,699</u>	<u>88,687</u>	<u>0</u>
Total Department of Education			<u>918,048</u>	<u>922,525</u>	<u>0</u>
<b>U. S. Department of Agriculture</b>					
<b>(Passed Through Ohio Department of Education):</b>					
<i>Nutrition Cluster</i>					
School Breakfast Program (B)	10.553		81,512	81,512	0
Total School Breakfast Program			<u>81,512</u>	<u>81,512</u>	<u>0</u>
National School Lunch Program (B)	10.555		300,296	300,296	0
Total National School Lunch Program			<u>300,296</u>	<u>300,296</u>	<u>0</u>
Food Distribution Program (A)(B)	10.555		25,823	0	25,823
Total Food Distribution Program			<u>25,823</u>	<u>0</u>	<u>25,823</u>
<i>Total Nutrition Cluster</i>			<u>407,631</u>	<u>381,808</u>	<u>25,823</u>
Total Department of Agriculture			<u>407,631</u>	<u>381,808</u>	<u>25,823</u>
Total Federal Assistance			<u>\$ 1,325,679</u>	<u>\$ 1,304,333</u>	<u>\$ 25,823</u>

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

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

**COVENTRY LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2008**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Child Nutrition Cluster CFDA # 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?	Yes

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

None noted.

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

None noted.



**Mary Taylor, CPA**  
Auditor of State

**COVENTRY LOCAL SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 3, 2009**