



Dave Yost • Auditor of State



**COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Coventry Local School District  
Summit County  
2910 South Main Street  
Akron, Ohio 44319

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coventry Local School District, Summit County, (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coventry Local School District, Summit County, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 22 to the financial statements, the District has experienced reoccurring losses and has a negative Fund Balance in its General Fund. In addition, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State in May 1997. Note 22 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015 on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2015

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**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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The discussion and analysis of the Coventry Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- Net position increased \$11,501,556 over fiscal year 2013, mainly due to debt issued related to the Ohio Facilities Construction Commission (OFCC) project that began in fiscal year 2014.
- Capital assets increased \$6,254,799 during fiscal year 2014 from construction in progress for the construction of a new high school.
- Outstanding debt increased from \$5,912,031 to \$34,689,212 in fiscal year 2014. The School District issued \$28.3 million in school improvement bonds for the OFCC construction project.

***Using this Annual Report***

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

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

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

***Statement of Net Position and the Statement of Activities***

While the basic financial statements contain 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 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, building fund and classroom facilities fund.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in one agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

**Table 1**  
**Net Position**

	Governmental Activities	
	2014	Restated 2013
<b>Assets</b>		
Current and Other Assets	\$ 47,224,933	\$ 11,470,126
Capital Assets	11,105,148	4,850,349
<i>Total Assets</i>	58,330,081	16,320,475
<b>Liabilities</b>		
Other Liabilities	4,748,427	4,565,302
Long-Term Liabilities	35,428,472	6,130,013
<i>Total Liabilities</i>	40,176,899	10,695,315
<b>Deferred Inflows of Resources</b>	10,353,457	9,326,991
<b>Net Position</b>		
Net Investment in Capital Assets	1,066,524	1,968,419
Restricted	11,237,995	348,697
Unrestricted	(4,504,794)	(6,018,947)
<i>Total Net Position</i>	\$ 7,799,725	\$ (3,701,831)

At year end, capital assets represented 19 percent of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was \$1,066,524 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$11,237,995 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit \$4,504,794.

Current and other assets increased \$35,754,807 from fiscal year 2013. Cash increased just over \$25.6 million from the prior year due to unspent proceeds from the school improvement bonds issued in 2014. Intergovernmental receivables increased nearly \$7.9 million due to the OFCC grant receivable and over \$2.2 million increase in property tax receivable from the tax levy passed in May 2013 to fund the local share of the OFCC project.

Long-term liabilities showed an increase of \$29,298,459 over fiscal year 2013 from the \$28.3 million bond issuance.

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Table 2 shows the changes in net position for fiscal year 2014 and 2013.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2014	2013 *
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 5,267,393	\$ 5,896,053
Operating Grants and Contributions	1,719,192	2,040,793
<i>Total Program Revenues</i>	<u>6,986,585</u>	<u>7,936,846</u>
<i>General Revenues:</i>		
Property Taxes	12,324,603	9,176,289
Grants and Entitlements Not Restricted	5,517,250	4,760,523
Grants and Entitlements Not Restricted - OFCC	11,130,916	0
Other	256,325	163,645
<i>Total General Revenues</i>	<u>29,229,094</u>	<u>14,100,457</u>
<i>Total Revenues</i>	<u>36,215,679</u>	<u>22,037,303</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	9,488,571	9,183,481
Special	2,576,849	3,234,817
Vocational	85,546	86,716
Other	963,936	731,254
<i>Support Services:</i>		
Pupils	997,935	918,161
Instructional Staff	149,448	1,205,858
Board of Education	80,377	203,927
Administration	1,623,383	1,512,293
Fiscal	633,311	464,181
Business	63,136	58,791
Operation and Maintenance of Plant	2,538,796	1,912,079
Pupil Transportation	1,417,340	1,405,554
Central	733,918	218,863
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	613,928	691,850
Community Services	374,514	291,267
Other	465,454	0
Extracurricular Activities	332,661	380,372
<i>Debt Service:</i>		
Interest and Fiscal Charges	1,182,686	244,940
Issuance Cost	392,334	0
<i>Total Expenses</i>	<u>24,714,123</u>	<u>22,744,404</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 11,501,556</u>	<u>\$ (707,101)</u>

\* Restatement does not have a material effect on analysis, therefore, is not reflected in this table.

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A decrease in special education tuition contributed to the decrease in charges for services of \$628,660 from fiscal year 2013 and a decrease in miscellaneous federal grants contributed to the decrease in operating grants and contributions.

Property taxes increased by \$3,148,314 mainly due to the levy passed in May 2013. Foundation revenue increased over fiscal year 2013 accounting for most of the \$756,727 increase in unrestricted grants and entitlements while the \$11,130,916 increase in grants and entitlements for OFCC is due to new funding for construction of a new high school.

Overall, total expenses increased by \$1,969,719. The increase in interest and fiscal charges and the issuance costs of \$392,334 are due to the new debt issue for the OFCC project. Fluctuations among functional expenses are mainly attributable to the re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012.

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.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
<b>Instruction:</b>				
Regular	\$ 9,488,571	\$ 9,183,481	\$ 4,700,774	\$ 3,735,095
Special	2,576,849	3,234,817	1,667,117	2,115,791
Vocational	85,546	86,716	76,132	86,716
Other	963,936	731,254	963,936	731,254
<b>Support Services:</b>				
Pupils	997,935	918,161	986,373	905,951
Instructional Staff	149,448	1,205,858	115,842	1,051,165
Board of Education	80,377	203,927	80,377	203,927
Administration	1,623,383	1,512,293	1,563,425	1,510,107
Fiscal	633,311	464,181	633,311	464,181
Business	63,136	58,791	63,136	58,791
Operation and Maintenance of Plant	2,538,796	1,912,079	2,538,548	1,912,079
Pupil Transportation	1,417,340	1,405,554	1,404,074	1,392,976
Central	733,918	218,863	723,900	218,863
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	613,928	691,850	(101,964)	(157,237)
Community Services	374,514	291,267	142,415	64,115
Other	465,454	0	363,671	0
Extracurricular Activities	332,661	380,372	231,451	268,844
<b>Debt Service:</b>				
Interest and Fiscal Charges	1,182,686	244,940	1,182,686	244,940
Issuance Cost	392,334	0	392,334	0
<b>Total Expenses</b>	<b>\$ 24,714,123</b>	<b>\$ 22,744,404</b>	<b>\$ 17,727,538</b>	<b>\$ 14,807,558</b>

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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The dependence upon general revenues for governmental activities is apparent. Almost 72 percent of governmental activities are supported through taxes and other general revenues; such revenues are 81 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

***Governmental Funds***

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$28,171,275 and expenditures of \$31,880,454. The change in fund balance for governmental funds was an increase of \$26,742,437 for fiscal year 2014.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$987,421. This increase is mainly due to the levy passed by the School District in May 2013 generating additional property tax revenue.

The building fund had an increase in fund balance of \$2,928,117 over fiscal year 2013 mainly due to debt issuance for the School District's share of the renovation project.

The classroom facilities fund showed an increase in fund balance of \$21,589,254 in fiscal year 2014. Proceeds from the new bond issue were transferred in to fund the project costs and the OFCC grant attributed to this increase.

***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 2014, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$723,963 lower than the final budgeted revenue of \$21,433,153 with taxes and tuition overestimated. Original budget basis revenues were estimated lower than final budget by \$1,291,962 mainly in taxes and miscellaneous revenues.

Final appropriations of \$22,555,730 were \$22,788 lower than the actual expenditures. Original appropriations were \$812,074 lower than final appropriations with no individually significant item accounting for the difference.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2014, the School District had \$11,105,148 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 679,076	\$ 544,210
Construction in Progress	6,447,553	0
Buildings and Improvements	3,718,221	3,943,967
Furniture and Equipment	199,623	272,055
Vehicles	60,675	90,117
<i>Totals</i>	\$ 11,105,148	\$ 4,850,349

The \$6,254,799 increase in capital assets was attributable to the construction in progress for the OFCC high school project. See Note 9 for more information about the capital assets of the School District.

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**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

**Debt**

At June 30, 2014, the School District had \$34,689,212 in debt outstanding. See Notes 14, 15 and 16 for additional details. Table 5 summarizes debt outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2014	2013
Loans Payable:		
HB264 Energy Conservation Loan	\$ 74,355	\$ 145,494
Energy Conservation Loan Phase #2	143,298	210,333
Energy Conservation Loan Phase #3	389,578	436,028
	607,231	791,855
General Obligation Bonds Payable:		
1993 School Improvement Bonds	0	315,000
2013 School Improvement Bonds		
Serial and Term Bonds	28,300,000	0
Capital Appreciation Bonds	8,425	0
Accretion on Capital Appreciation Bonds	2,689	0
Unamortized Premium	894,205	0
	29,205,319	315,000
Stark County Council of Governments Note	1,873,512	1,233,876
Tax Anticipation Notes Payable	441,150	882,300
Capital Leases Payable	2,562,000	2,689,000
<i>Total Debt</i>	<b>\$ 34,689,212</b>	<b>\$ 5,912,031</b>

***Current Issues***

Coventry Local School District is currently funded at 37 percent state revenue and 63 percent local revenue for operating expenses. One third of the student population is open enrolled from other neighboring districts. Future student enrollment projections show a slight decrease in enrollment.

Coventry Local School relies heavily on its local property taxpayers. The last operating levy renewal was passed in November 2012, for 9.96 mills. This was a 5-year emergency levy which generated 32 percent of the local property tax share.

Coventry Local Schools will attempt to renew an emergency levy renewal that originally passed in May 2010, for 6.25 mills. This will be for a 5 year emergency levy renewal which will generate \$1,985,175 per year.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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***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/Chief Fiscal Officer at Coventry Local School District, 2910 S. Main Street, Akron, OH 44319.

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**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Net Position*  
*June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,716,320
Cash and Cash Equivalents in Segregated Accounts	7,564,259
Cash and Cash Equivalents with Escrow Agent	274,142
Investments in Segregated Accounts	15,025,940
Receivables:	
Accrued Interest	7,645
Intergovernmental	9,062,626
Property Taxes	12,574,001
Nondepreciable Capital Assets	7,126,629
Depreciable Capital Assets (Net)	3,978,519
<i>Total Assets</i>	<b>58,330,081</b>
<b>Liabilities</b>	
Accounts Payable	282,330
Accrued Wages and Benefits	1,809,897
Contracts Payable	1,064,000
Intergovernmental Payable	805,643
Accrued Vacation Leave Payable	42,745
Accrued Interest Payable	302,662
Notes Payable	441,150
Long Term Liabilities:	
Due Within One Year	939,640
Due In More Than One Year	34,488,832
<i>Total Liabilities</i>	<b>40,176,899</b>
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Fiscal Year	10,353,457
<b>Net Position</b>	
Net Investment in Capital Assets	1,066,524
Restricted For:	
Capital Outlay	10,274,649
Debt Service	400,785
Other Purposes	562,561
Unrestricted	(4,504,794)
<i>Total Net Position</i>	<b>\$ 7,799,725</b>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Program Revenues		Net (Expense)
	Charges for	Operating	Revenue and Changes
Expenses	Services	Grants, Contributions	in Net Position
	and Sales	and Interest	Governmental
			Activities
<b>Governmental Activities</b>			
Instruction:			
Regular	\$ 9,488,571	\$ 4,733,700	\$ 54,097
Special	2,576,849	191,196	718,536
Vocational	85,546	0	9,414
Other	963,936	0	0
Support Services:			
Pupils	997,935	0	11,562
Instructional Staff	149,448	21,815	11,791
Board of Education	80,377	0	0
Administration	1,623,383	0	59,958
Fiscal	633,311	0	0
Business	63,136	0	0
Operation and Maintenance of Plant	2,538,796	0	248
Pupil Transportation	1,417,340	0	13,266
Central	733,918	0	10,018
Operation of Non-Instructional Services:			
Food Service Operations	613,928	220,965	494,927
Community Services	374,514	0	232,099
Other	465,454	0	101,783
Extracurricular Activities	332,661	99,717	1,493
Debt Service:			
Interest and Fiscal Charges	1,182,686	0	0
Issuance Cost	392,334	0	0
<b>Total</b>	<b>\$ 24,714,123</b>	<b>\$ 5,267,393</b>	<b>\$ 1,719,192</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,939,388
Debt Service	1,191,285
Capital Outlay	134,522
Classroom Facilities Maintenance	59,408
Grants and Entitlements Not Restricted to Specific Programs	5,517,250
Grants and Entitlements Not Restricted - OFCC Project	11,130,916
Investment Earnings	31,901
Miscellaneous	224,424

*Total General Revenues* 29,229,094

*Change in Net Position* 11,501,556

*Net Position Beginning of Year (Restated, See Note 2Q)* (3,701,831)

*Net Position End of Year* \$ 7,799,725

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 1,229,960	\$ 443,117	\$ 1,043,243	\$ 2,716,320
Cash and Cash Equivalents in Segregated Accounts	0	1,710,849	5,853,410	0	7,564,259
Cash and Cash Equivalents with Escrow Agent	0	0	274,142	0	274,142
Investments in Segregated Accounts	0	0	15,025,940	0	15,025,940
Receivables:					
Accrued Interest	0	0	7,645	0	7,645
Interfund	0	1,050,408	0	0	1,050,408
Intergovernmental	405,560	0	8,355,916	301,150	9,062,626
Property Taxes	10,958,300	0	0	1,615,701	12,574,001
<i>Total Assets</i>	<u>\$ 11,363,860</u>	<u>\$ 3,991,217</u>	<u>\$ 29,960,170</u>	<u>\$ 2,960,094</u>	<u>\$ 48,275,341</u>
<b>Liabilities</b>					
Accounts Payable	\$ 243,720	\$ 0	\$ 0	\$ 38,610	\$ 282,330
Accrued Wages and Benefits	1,703,633	0	0	106,264	1,809,897
Contracts Payable	0	1,064,000	0	0	1,064,000
Intergovernmental Payable	765,426	0	15,000	25,217	805,643
Accrued Interest Payable	1,077	0	0	0	1,077
Interfund Payable	1,018,509	0	0	31,899	1,050,408
Notes Payable	441,150	0	0	0	441,150
<i>Total Liabilities</i>	<u>4,173,515</u>	<u>1,064,000</u>	<u>15,000</u>	<u>201,990</u>	<u>5,454,505</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for the Next Fiscal Year	9,025,320	0	0	1,328,137	10,353,457
Unavailable Revenue - Delinquent Property Taxes	554,978	0	0	81,391	636,369
Unavailable Revenue - Other	304,984	0	8,355,916	130,171	8,791,071
<i>Total Deferred Inflows of Resources</i>	<u>9,885,282</u>	<u>0</u>	<u>8,355,916</u>	<u>1,539,699</u>	<u>19,780,897</u>
<b>Fund Balances</b>					
Restricted	0	2,927,217	21,589,254	1,222,972	25,739,443
Committed	11,000	0	0	0	11,000
Unassigned	(2,705,937)	0	0	(4,567)	(2,710,504)
<i>Total Fund Balances</i>	<u>(2,694,937)</u>	<u>2,927,217</u>	<u>21,589,254</u>	<u>1,218,405</u>	<u>23,039,939</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 11,363,860</u>	<u>\$ 3,991,217</u>	<u>\$ 29,960,170</u>	<u>\$ 2,960,094</u>	<u>\$ 48,275,341</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2014*

<b>Total Governmental Fund Balances</b>		\$ 23,039,939
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,105,148
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 636,369	
Charges for Services	304,984	
Intergovernmental	8,486,087	9,427,440
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported at maturity.		(301,585)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(28,300,000)	
Capital Appreciation Bonds	(8,425)	
Accretion on Capital Appreciation Bonds	(2,689)	
Loans Payable	(607,231)	
Bond Premium	(894,205)	
Capital Leases	(2,562,000)	
Stark County COG Liability	(1,873,512)	
Accrued Vacation Payable	(42,745)	
Compensated Absences	(1,180,410)	(35,471,217)
<i>Net Position of Governmental Activities</i>		<b>\$ 7,799,725</b>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Local Taxes	\$ 11,010,097	\$ 0	\$ 0	\$ 1,303,825	\$ 12,313,922
Intergovernmental	5,426,287	0	2,775,000	2,021,866	10,223,153
Investment Income	0	248	31,901	0	32,149
Tuition and Fees	4,993,404	0	0	0	4,993,404
Extracurricular Activities	92,771	0	0	53,209	145,980
Rentals	50	0	0	0	50
Charges for Services	9,523	0	0	209,717	219,240
Contributions and Donations	7,850	0	0	617	8,467
Miscellaneous	234,910	0	0	0	234,910
<i>Total Revenues</i>	<u>21,774,892</u>	<u>248</u>	<u>2,806,901</u>	<u>3,589,234</u>	<u>28,171,275</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,166,941	0	0	46,767	9,213,708
Special	1,904,771	0	0	640,932	2,545,703
Vocational	85,124	0	0	0	85,124
Other	963,936	0	0	0	963,936
Support Services:					
Pupils	976,419	0	0	10,493	986,912
Instructional Staff	79,742	0	0	39,642	119,384
Board of Education	80,235	0	0	0	80,235
Administration	1,594,617	0	0	20,652	1,615,269
Fiscal	611,837	0	0	16,121	627,958
Business	62,843	0	0	0	62,843
Operation and Maintenance of Plant	2,418,650	0	0	20,239	2,438,889
Pupil Transportation	1,374,109	0	0	12,040	1,386,149
Central	716,866	0	0	15,751	732,617
Extracurricular Activities	292,227	0	0	39,811	332,038
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	602,332	602,332
Community Services	164,887	0	0	193,496	358,383
Other	375,884	0	0	92,376	468,260
Capital Outlay	47,087	6,427,131	170,287	33,280	6,677,785
Debt Service:					
Principal Retirement	800,173	0	0	330,383	1,130,556
Interest and Fiscal Charges	214,691	0	0	845,348	1,060,039
Issuance Costs	0	0	0	392,334	392,334
<i>Total Expenditures</i>	<u>21,931,039</u>	<u>6,427,131</u>	<u>170,287</u>	<u>3,351,997</u>	<u>31,880,454</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(156,147)</u>	<u>(6,426,883)</u>	<u>2,636,614</u>	<u>237,237</u>	<u>(3,709,179)</u>
<b>Other Financing Sources (Uses)</b>					
Note Proceeds	1,143,568	0	0	0	1,143,568
Issuance of General Obligation Bonds	0	6,616,061	0	21,692,364	28,308,425
Premium on General Obligation Bonds	0	0	0	914,375	914,375
Premium on Notes	0	0	0	85,248	85,248
Transfers In	0	2,738,939	18,952,640	0	21,691,579
Transfers Out	0	0	0	(21,691,579)	(21,691,579)
<i>Total Other Financing Sources (Uses)</i>	<u>1,143,568</u>	<u>9,355,000</u>	<u>18,952,640</u>	<u>1,000,408</u>	<u>30,451,616</u>
<i>Net Change in Fund Balance</i>	987,421	2,928,117	21,589,254	1,237,645	26,742,437
<i>Fund Balances (Deficit) Beginning of Year, (Restated, See Note 2Q)</i>	<u>(3,682,358)</u>	<u>(900)</u>	<u>0</u>	<u>(19,240)</u>	<u>(3,702,498)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (2,694,937)</u>	<u>\$ 2,927,217</u>	<u>\$ 21,589,254</u>	<u>\$ 1,218,405</u>	<u>\$ 23,039,939</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2014*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	26,742,437
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 6,604,058	
Current Year Depreciation	<u>(348,973)</u>	6,255,085
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(286)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	10,682	
Charges for Services	(103,893)	
Intergovernmental	<u>8,121,974</u>	8,028,763
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,130,556
 Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Bond Premium	(914,375)	
General Obligation Bonds	(28,300,000)	
Capital Appreciation Bonds	(8,425)	
Stark County COG Liability	<u>(1,143,568)</u>	(30,366,368)
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported at maturity.		
Accrued Interest Payable	(225,376)	
Amortization of Premium on Bonds	<u>20,170</u>	(205,206)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(80,128)	
Accrued Vacation Payable	<u>(608)</u>	(80,736)
 Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(2,689)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>11,501,556</u></u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 9,640,523	\$ 10,499,617	\$ 10,041,720	\$ (457,897)
Intergovernmental	5,198,857	5,238,735	5,372,801	134,066
Tuition and Fees	5,196,933	5,239,553	4,912,837	(326,716)
Extracurricular Activities	42,666	42,666	40,209	(2,457)
Rentals	33,025	52,206	19,231	(32,975)
Charges for Services	26,792	26,792	9,523	(17,269)
Contributions and Donations	0	5,000	5,000	0
Miscellaneous	2,395	328,584	307,869	(20,715)
<i>Total Revenues</i>	<u>20,141,191</u>	<u>21,433,153</u>	<u>20,709,190</u>	<u>(723,963)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,921,050	9,190,820	9,274,588	(83,768)
Special	1,888,609	1,957,131	1,962,083	(4,952)
Vocational	84,450	87,895	87,670	225
Other	926,926	963,936	963,936	0
Support Services:				
Pupils	929,144	964,502	977,966	(13,464)
Instructional Staff	163,613	177,267	169,840	7,427
Board of Education	89,760	93,374	93,344	30
Administration	1,577,716	1,677,444	1,642,572	34,872
Fiscal	585,767	595,999	603,639	(7,640)
Business	60,430	62,843	62,843	0
Operation and Maintenance of Plant	2,331,334	2,501,640	2,435,134	66,506
Pupil Transportation	1,309,165	1,325,524	1,360,209	(34,685)
Central	652,478	631,612	680,089	(48,477)
Extracurricular Activities	271,709	336,404	282,558	53,846
Operation of Non-Instructional Services:				
Community Services	462,151	390,075	477,870	(87,795)
Capital Outlay	45,279	0	47,087	(47,087)
Debt Service:				
Principal Retirement	1,232,290	1,372,479	1,241,323	131,156
Interest and Fiscal Charges	211,785	226,785	215,767	11,018
<i>Total Expenditures</i>	<u>21,743,656</u>	<u>22,555,730</u>	<u>22,578,518</u>	<u>(22,788)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,602,465)</u>	<u>(1,122,577)</u>	<u>(1,869,328)</u>	<u>(746,751)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	1,143,568	1,143,568	1,143,568	0
<i>Net Change in Fund Balance</i>	(458,897)	20,991	(725,760)	(746,751)
<i>Fund Balance (Deficit) Beginning of Year</i>				
<i>(Restated, See Note 2Q)</i>	(450,845)	(450,845)	(450,845)	0
Prior Year Encumbrances Appropriated	236	236	236	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (909,506)</u>	<u>\$ (429,618)</u>	<u>\$ (1,176,369)</u>	<u>\$ (746,751)</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 21,585	\$ 90,959
Investments in Segregated Accounts	142,311	0
<i>Total Assets</i>	163,896	\$ 90,959
 <b>Liabilities</b>		
Due to Students		\$ 90,959
 <b>Net Position</b>		
Held in Trust for Scholarships	\$ 163,896	

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 18,931
Investment Earnings	206
	19,137
<i>Total Additions</i>	<i>19,137</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	19,224
<i>Change in Net Position</i>	<i>(87)</i>
<i>Net Position Beginning of Year (Restated, See Note 2Q)</i>	<i>163,983</i>
<i>Net Position End of Year</i>	<i>\$ 163,896</i>

See accompanying notes to the basic financial statements.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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 of education and provides educational services as mandated by state and/or federal agencies.

The School District is located in Summit County in northeastern Ohio. The School District operates one elementary school (K-4), one middle school (5-8) and one high school (9-12).

***Reporting Entity***

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

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations include the Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 10, 17 and 18 to the basic financial statements.

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

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Following are the most significant of the School District's accounting policies.

**A. Basis of Presentation**

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

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

The statement of net position 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 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. 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 two categories of funds: governmental and fiduciary.

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

**General Fund** The general fund 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**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Building Fund*** The building fund accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities.

***Classroom Facilities Fund*** The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

***Fund Financial Statements*** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which 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.

Private purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

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

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 Inflows/Outflows of Resources*** A deferred inflow of resources is an acquisition of assets by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as Intergovernmental Revenue and an expenditure of Food Service Operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within "Operating Grants, Contributions and Interest" program revenue account.

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

***E. Cash and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all 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 the building, classroom facilities, special trusts and private purpose trust funds. The School District has an escrow account presented on the financial statements as "Cash and Cash Equivalents with Escrow Agent" and represents monies held for the School District.

During fiscal year 2014, investments were limited to government securities, commercial paper, money market fund, donated stocks and certificates of deposit.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The only interest revenue in fiscal year 2014 was in the building, classroom facilities and private purpose trust 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 capital improvements.

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**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 position but are not reported in the fund financial statements.

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

All reported capital assets except land 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.

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

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

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***I. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

***J. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2014, there was no net position restricted by enabling legislation. Net position restricted for other purposes include special education, handicapped, preschool and auxiliary services.

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

***K. Fund Balance***

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer/Chief Fiscal Officer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

***L. 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. 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 position.

***M. 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 2014.

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***N. 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.

***O. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The alternate 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/Chief Fiscal Officer. 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 2014.

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.

***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.

***P. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

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GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being deferred. See Note 2Q for effect on net position.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

***Q. Net Position/Fund Balance Restatement***

During the prior year audit of the School District, it was determined that certain cash adjustments needed to be made. The following is the effect of those changes along with the change in net position to expense debt issuance costs as a result of the implementation of GASB Statement No. 65:

	Governmental Activities	Private Purpose Trust
Previously Reported Net Position	\$ (3,517,397)	\$ 158,013
Unamortized Debt Issuance Costs	(122,070)	0
Prior Year Cash Adjustments	(62,364)	5,970
Restated Net Position at July 1, 2013	\$ (3,701,831)	\$ 163,983

The following is the effect on fund balance from the cash adjustments:

	General Fund	Other Governmental Funds
Previously Reported Fund Balance	\$ (3,616,796)	\$ (23,338)
Prior Year Cash Adjustments	(65,562)	4,098
Restated Fund Balance at July 1, 2013	\$ (3,682,358)	\$ (19,240)

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The following is the effect on the general fund budgetary fund balance from the cash adjustments:

	General Fund
Previously Reported Fund Balance	\$ (384,973)
Prior Year Cash Adjustments	(65,872)
Restated Fund Balance at July 1, 2013	\$ (450,845)

**Note 3 - Fund Deficits**

Fund balances at June 30, 2014 included the following individual fund deficits:

	Deficit Fund Balance
<i>Major Governmental Funds:</i>	
General Fund	\$2,694,937
<i>Nonmajor Governmental Funds:</i>	
Miscellaneous State Grants	4,567

The deficits in the major and nonmajor funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the nonmajor fund and will provide transfers when cash is required, not when accruals occur. See Note 22 for management's plan to eliminate deficits.

**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. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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4. Encumbrances are treated as expenditures (budget basis) rather than as assigned, committed or restricted fund balance (GAAP basis).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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.

GAAP Basis		\$	987,421
Net Adjustments for Revenue Accruals			(948,897)
Net Adjustment for Expenditure Accruals			(766,393)
Funds Budgeted Elsewhere**			2,321
Encumbrances			(212)
			(212)
 Budgetary Basis		 \$	 (725,760)
			(725,760)

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

**Note 5 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio and STAR Plus);
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 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2014, the School District and public depositories complied with the provisions of these statutes.

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

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**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$10,774,880 and the bank balance was \$10,914,669. Of the bank balance:

1. \$359,910 was covered by depository insurance; and
2. \$10,554,759 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, 2014, the School District had the following investments:

Standard & Poor's Rating	Fair Value	Investment Maturities (in months)				% Total Investments	
		0 - 12	13 - 18	19 - 24	25 and over		
N/A	First American Governmental Money Market	\$ 5,605	\$ 5,605	\$ 0	\$ 0	\$ 0	0.04%
N/A	Stocks	36,380	36,380	0	0	0	0.24%
A-1+	Commercial Paper	5,417,724	5,417,724	0	0	0	35.97%
AA+	US Treasury Notes	755,648	0	755,648	0	0	5.02%
AA+	Federal National Mortgage Association	703,243	0	0	703,243	0	4.67%
AA+	Federal Home Loan Mortgage	1,775,663	1,101,196	0	674,467	0	11.79%
AA+	Federal Farm Credit Bank	2,484,736	0	1,242,251	1,242,485	0	16.50%
AA+	Federal Home Loan Bank Notes	3,881,637	2,406,170	0	1,075,073	400,394	25.77%
Totals		<u>\$ 15,060,636</u>	<u>\$ 8,967,075</u>	<u>\$ 1,997,899</u>	<u>\$ 3,695,268</u>	<u>\$ 400,394</u>	<u>100.00%</u>

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

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

**Concentration of Credit Risk** The School District investment policy is to be diversified enough to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue or a specific class of securities. See the table above for the allocation of investments.

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**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District's taxing district. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,378,002 in the general fund, \$168,500 in the bond retirement fund and \$37,673 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013, was \$409,625 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 281,169,550	97%	\$ 282,441,290	97%
Public Utility Personal Property	7,464,580	3%	8,068,130	3%
Total	\$ 288,634,130	100%	\$ 290,509,420	100%
Full Tax Rate per \$1,000 of assessed valuation	\$ 73.52		\$ 79.34	

**Note 7 – Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2014 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 0	\$ 1,018,509
Building Fund	1,050,408	0
<i>Nonmajor Governmental Funds:</i>		
Miscellaneous State Grants Fund	0	1,873
IDEA - Part B Fund	0	30,026
Total	\$ 1,050,408	\$ 1,050,408

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the Statement of Net Position.

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***B. Interfund Transfers***

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
Building Fund	\$ 0	\$ 2,738,939
Classroom Facilities Fund	0	18,952,640
<i>Nonmajor Governmental Funds:</i>		
Bond Retirement Fund	21,691,579	0
Total	\$ 21,691,579	\$ 21,691,579

The bond retirement fund transferred monies to the building and classroom facilities funds for payment of short-term notes using the proceeds from the issuance of long-term bonds.

**Note 8 - Receivables**

Receivables at June 30, 2014 consisted of property taxes, interfund, accrued interest 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.

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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Reductions	Balance 6/30/14
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 544,210	\$ 134,866	\$ 0	\$ 679,076
Construction in Progress	0	6,447,553	0	6,447,553
<i>Total Capital Assets, not being depreciated</i>	<u>544,210</u>	<u>6,582,419</u>	<u>0</u>	<u>7,126,629</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	10,432,566	0	0	10,432,566
Furniture and Equipment	2,054,641	21,639	(12,124)	2,064,156
Vehicles	623,958	0	(20,891)	603,067
<i>Total Capital Assets, being depreciated</i>	<u>13,111,165</u>	<u>21,639</u>	<u>(33,015)</u>	<u>13,099,789</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,488,599)	(225,746)	0	(6,714,345)
Furniture and Equipment	(1,782,586)	(94,071)	12,124	(1,864,533)
Vehicles	(533,841)	(29,156)	20,605	(542,392)
<i>Total Accumulated Depreciation</i>	<u>(8,805,026)</u>	<u>(348,973)</u>	<u>32,729</u>	<u>(9,121,270)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>4,306,139</u>	<u>(327,334)</u>	<u>(286)</u>	<u>3,978,519</u>
<i>Governmental Capital Assets, net</i>	<u>\$ 4,850,349</u>	<u>\$ 6,255,085</u>	<u>\$ (286)</u>	<u>\$ 11,105,148</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 231,273
Special	23,337
Support Services:	
Pupils	1,295
Instructional Staff	22,848
Administration	2,875
Business	293
Operation and Maintenance of Plant	12,566
Pupil Transportation	24,236
Operation of Non-Instructional Services:	
Food Service Operations	5,784
Community Services	7,400
Extracurricular	<u>17,066</u>
Total Depreciation Expense	<u>\$ 348,973</u>

**Note 10 - Risk Management**

***A. 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.

***B. Workers' Compensation***

For fiscal year 2014, 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 Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

#### ***C. Health Insurance***

The School District has joined the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

#### **Note 11 - Employee Benefits**

##### ***Compensated Absences***

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

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

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**Note 12 - Pension Plans**

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$386,472, \$355,127 and \$345,502, respectively; 80 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that 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).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,224,414, \$1,245,655 and \$1,251,962, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$37,133 made by the School District and \$29,176 made by the plan members.

#### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid.

#### **Note 13 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$47,519, \$45,775, and \$15,022, respectively; 80 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$22,421, \$20,061 and \$20,484, respectively; 80 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$94,186, \$95,820, and \$96,305, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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**Note 14 - Notes Payable**

Note activity for the year ended June 30, 2014, consisted of the following:

***Tax Anticipation Notes***

	Outstanding 6/30/2013	Issued	Retired	Outstanding 6/30/2014
Tax Anticipation Notes				
3.00% Maturity 6/1/2015	\$ 882,300	\$ 0	\$ 441,150	\$ 441,150

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

Principal and interest requirements to retire notes outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
2015	\$ 441,150	\$ 10,191	\$ 451,341

***Bond Anticipation Notes***

	Outstanding 6/30/2013	Issued	Retired	Outstanding 6/30/2014
Bond Anticipation Notes				
1.75% Maturity 1/15/14	\$ 0	\$ 21,691,579	\$ 21,691,579	\$ 0

Bond anticipation notes were issued in anticipation of the issuance of general obligation bonds for the School District's local share of the construction of a new high school. The notes were retired when the School District issued the bonds.

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**Note 15 - Long - Term Obligations**

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

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
<b>Governmental Activities</b>					
<i>Loans Payable:</i>					
HB264 Energy Conservation Loan, 4.43%, Due 03/15/2015	\$ 145,494	\$ 0	\$ 71,139	\$ 74,355	\$ 74,355
Energy Conservation Loan Phase #2, 4.43%, Due 10/15/2015	210,333	0	67,035	143,298	70,065
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	436,028	0	46,450	389,578	48,550
<i>Total Loans Payable</i>	<u>791,855</u>	<u>0</u>	<u>184,624</u>	<u>607,231</u>	<u>192,970</u>
<i>General Obligation Bonds Payable:</i>					
1993 School Improvement Bonds, 4.75%, Due 12/01/2013	315,000	0	315,000	0	0
2013 School Improvement Bonds, 3.00%-5.25% Due 11/1/2047	0	28,300,000	0	28,300,000	0
Capital Appreciation Bonds	0	8,425	0	8,425	0
Accretion on Capital Appreciation Bonds	0	2,689	0	2,689	0
Unamortized Premium on Bonds	0	914,375	20,170	894,205	0
<i>Total Bonds Payable</i>	<u>315,000</u>	<u>29,225,489</u>	<u>335,170</u>	<u>29,205,319</u>	<u>0</u>
<i>Long-Term Note Payable:</i>					
Stark County Schools Council of Governments	1,233,876	1,143,568	503,932	1,873,512	530,105
<i>Other Long-Term Liabilities</i>					
Capital Leases	2,689,000	0	127,000	2,562,000	129,000
Compensated Absences	1,100,282	173,622	93,494	1,180,410	87,565
<i>Total Other Long-Term Liabilities</i>	<u>3,789,282</u>	<u>173,622</u>	<u>220,494</u>	<u>3,742,410</u>	<u>216,565</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 6,130,013</u>	<u>\$ 30,542,679</u>	<u>\$ 1,244,220</u>	<u>\$ 35,428,472</u>	<u>\$ 939,640</u>

**Loans Payable**

On January 10, 2000, the School District issued \$834,205 for the purpose of providing energy conservation measures for the School District. The notes were issued for a fifteen year period with final maturity during fiscal year 2015.

On March 1, 2000, the School District issued another \$842,535 for energy conservation measures for a fifteen year period with final maturity during fiscal year 2016.

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On June 13, 2005 the School District issued \$709,533 for the purpose making energy improvements to various school buildings in the School District. The notes were issued for a fifteen year period with final maturity during fiscal 2020.

***General Obligation Bonds Payable***

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

On October 16, 2013, the School District issued school improvement bonds in the amount of \$28,308,425 for the School District's local share of the construction of a new high school as well and furnishing, equipping and otherwise improving School District buildings and facilities. These bonds were issued with a premium of \$914,375, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method. The amortization for June 30, 2014 was \$20,170. These bonds consist of serial, term and capital appreciation bonds and were issued for a period of 34 years with a final maturity on November 1, 2047.

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

The term bonds maturing on November 1, 2037, November 1, 2042 and November 1, 2047 are subject to mandatory sinking fund redemption equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

The capital appreciation bonds mature on November 1, 2027, November 1, 2028, November 1, 2029 and November 1, 2030. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,275,000. For fiscal year 2014, \$2,689 was accreted for a liability of \$11,114.

***Long-Term Note Payable***

On April 1, 2012, the School District entered into an agreement to join the Stark County Schools Council of Governments Health Benefit Plan (the Council). Within the agreement, the Council has deferred health insurance premiums for April, May, June and July of 2012 with the School District agreeing to repay in total the amount of \$1,233,876. The total amount that was due at June 30, 2012 was \$1,018,876. In fiscal year 2013, \$215,000, the premium for January 2013, was added to the total liability and in fiscal year 2014, \$1,143,568, the premium for March through June 2014 was added. After payments made in fiscal year 2014, the amount currently due is \$1,873,512. The School District will make principal payments bi-annually in 2014, 2015, 2016 and 2017. Interest is accrued monthly at the rate of 0.88 percent. The rate will be reviewed annually by the Council and is variable.

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The energy conservation loans and the Stark County Schools Council of Governments note will be paid from the general fund. The school improvement bonds will be paid from the bond retirement fund. The compensated absences will be paid from the funds which the employees' salaries are paid. In prior years this has primarily been paid by the general fund. Capital leases will be paid from the general fund.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		Energy Conservation Loans		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Accretion
2015	\$ 0	\$ 1,424,775	\$ 192,970	\$ 27,454	\$ 0	\$ 0
2016	5,000	1,424,700	123,978	18,729	0	0
2017	5,000	1,424,549	53,039	13,124	0	0
2018	5,000	1,424,399	55,437	10,726	0	0
2019	105,000	1,421,700	57,943	8,220	0	0
2020 - 2024	1,150,000	6,976,374	123,864	8,462	0	0
2025 - 2029	1,390,000	6,566,875	0	0	6,039	1,263,961
2030 - 2034	2,980,000	6,232,851	0	0	2,386	1,002,614
2035 - 2039	5,900,000	5,113,275	0	0	0	0
2040 - 2044	8,340,000	3,317,814	0	0	0	0
2045 - 2048	8,420,000	912,451	0	0	0	0
<b>Total</b>	<b>\$ 28,300,000</b>	<b>\$ 36,239,763</b>	<b>\$ 607,231</b>	<b>\$ 86,715</b>	<b>\$ 8,425</b>	<b>\$ 2,266,575</b>

Fiscal Year Ending June 30,	Stark County Schools Council of Governments Note		Total	
	Principal	Interest	Principal	Interest/ Accretion
2015	\$ 530,105	\$ 9,896	\$ 723,075	\$ 1,462,125
2016	533,422	6,578	662,400	1,450,007
2017	538,767	3,233	596,806	1,440,906
2018	271,218	282	331,655	1,435,407
2019	0	0	162,943	1,429,920
2020 - 2024	0	0	1,273,864	6,984,836
2025 - 2029	0	0	1,396,039	7,830,836
2030 - 2034	0	0	2,982,386	7,235,465
2035 - 2039	0	0	5,900,000	5,113,275
2040 - 2044	0	0	8,340,000	3,317,814
2045 - 2048	0	0	8,420,000	912,451
<b>Total</b>	<b>\$ 1,873,512</b>	<b>\$ 19,989</b>	<b>\$ 30,789,168</b>	<b>\$ 38,613,042</b>

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**Note 16 - Capitalized Leases**

The capital lease obligation relates to lease-purchase agreements. During fiscal year 2008, the School District entered into a lease agreement for modular buildings. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund.

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

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

As of June 30, 2014, \$1,500,000 of capital assets acquired by lease have been capitalized as buildings and improvements. Payments will be made on the lease from the building fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of minimum lease payments as of June 30, 2014:

	Modular Units	Ohio School Building	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Fiscal Year Ending June 30, 2015	\$ 121,454	\$ 130,955	\$ 252,409
2016	121,370	133,853	255,223
2017	121,140	131,403	252,543
2018	120,766	133,678	254,444
2019	120,248	130,678	250,926
2020 - 2024	592,254	659,743	1,251,997
2025 - 2029	463,804	660,800	1,124,604
	<u>1,661,036</u>	<u>1,981,110</u>	<u>3,642,146</u>
Less: Amount Representing Interest	469,036	611,110	1,080,146
	<u>\$ 1,192,000</u>	<u>\$ 1,370,000</u>	<u>\$ 2,562,000</u>

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**Note 17 - Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology***

The Northeast 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 fiscal agent, located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2014 the School District paid \$138,299 to NEONET for basic service charges.

***Portage Lakes Career Center***

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

**Note 18 - Public Entity Risk Pool**

***Risk Sharing Pool***

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2013	\$ 0
Current Year Set-aside Requirement	395,426
Offset from Bond Proceeds	(395,426)
Totals	\$ 0
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-aside Restricted Balance as of June 30, 2014	\$ 0

The amount presented for offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to -0-. The School district is responsible for tracking the amount of bond proceeds that may be used as an offset for future periods. The available balance remaining for future use as of June 30, 2014 was \$31,041.

**Note 20 - Fund Balance**

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

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

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Restricted for:					
Debt Service	\$ 0	0	0	571,832	\$ 571,832
Capital Outlay	0	2,927,217	21,589,254	177,396	24,693,867
Other Purposes	0	0	0	473,744	473,744
Total Restricted	0	2,927,217	21,589,254	1,222,972	25,739,443
Committed for:					
Underground Storage Tank	11,000	0	0	0	11,000
Unassigned	(2,705,937)	0	0	(4,567)	(2,710,504)
<i>Total Fund Balance (Deficit)</i>	<i>\$ (2,694,937)</i>	<i>\$ 2,927,217</i>	<i>\$ 21,589,254</i>	<i>\$ 1,218,405</i>	<i>\$ 23,039,939</i>

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 21 - Contingencies and Significant Commitments**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect on the basic financial statements.

**C. Contractual Commitments**

As of June 30, 2014, the School District had contractual commitments as follows:

	Contractual Commitment	Expended	Balance 6/30/2014
School Renovations	\$ 9,355,000	\$ 6,434,257	\$ 2,920,743
New High School	26,000,000	0	26,000,000
Total	\$ 35,355,000	\$ 6,434,257	\$ 28,920,743

**D. Encumbrance Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$ 174
Building Fund	2,920,743
Classroom Facilities Fund	748,862
Nonmajor Governmental Funds	59,631
Total	\$ 3,729,410

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 22 - Fiscal Watch**

The State Auditor's Office declared the School District in fiscal watch on May 15, 1997, due to the School District's financial condition. School Districts declared in fiscal watch are required to immediately develop a financial recovery plan to eliminate the operating deficit and avoid future deficits. The school District has submitted an updated financial recovery plan which was approved by the State Superintendent of Public Instruction. In November 2003, the School District passed a 9.967 mill levy. In May 2010, the School District passed a 6.25 mill levy. At June 30, 2014 the School District had a deficit fund balance of \$2,694,937 in the General Fund.

**COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$ 58,774	\$ 68,725
Cash Assistance:				
National School Lunch Program	049999-3L60-2014	10.555	357,284	357,284
School Breakfast Program	049999-3L70-2014	10.553	88,378	88,378
Total Child Nutrition Cluster			<u>504,436</u>	<u>514,387</u>
State Administrative Expenses for Child Nutrition	049999-3670-2014	10.560	7,200	7,200
<b>Total U.S. Department of Agriculture</b>			<u>511,636</u>	<u>521,587</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I, Grants to Local Educational Agencies	049999-3M00-2011	84.010	-	(383)
Title I, Grants to Local Educational Agencies	049999-3M00-2012	84.010	-	(23)
Title I, Grants to Local Educational Agencies	049999-3M00-2013	84.010	278,941	69,068
Title I, Grants to Local Educational Agencies	049999-3M00-2014	84.010	297,398	299,783
<b>Total Title I, Part A Cluster</b>		84.010	<u>576,339</u>	<u>368,445</u>
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049999-3M20-2012	84.027	-	4,126
Special Education-Grants to States, IDEA-B	049999-3M20-2013	84.027	196,631	58,925
Special Education-Grants to States, IDEA-B	049999-3M20-2014	84.027	328,099	329,676
<b>Total Special Education Cluster</b>		84.027	<u>524,730</u>	<u>392,727</u>
Improving Teacher Quality State Grants, Title II-A	049999-3Y60-2012	84.367	-	152
Improving Teacher Quality State Grants, Title II-A	049999-3Y60-2013	84.367	54,822	31,539
Improving Teacher Quality State Grants, Title II-A	049999-3Y60-2014	84.367	27,076	10,974
<b>Total Improving Teacher Quality State Grants</b>		84.367	<u>81,898</u>	<u>42,665</u>
ARRA - Race to the Top	049999-3FD0-2013	84.395	31,821	(15,417)
ARRA - Race to the Top	049999-3FD0-2014	84.395	86,218	77,171
<b>Total ARRA - Race to the Top</b>		84.395	<u>118,039</u>	<u>61,754</u>
<b>Total U.S. Department of Education</b>			<u>1,301,006</u>	<u>865,591</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,812,642</u>	<u>\$ 1,387,178</u>

The accompanying notes to this schedule are an integral part of this schedule.

**COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Coventry Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair market value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D – NEGATIVE EXPENDITURES**

Negative expenditures reported on the Schedule reflect District's clearing out and cleaning up grant year programs.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Coventry Local School District  
Summit County  
2910 South Main Street  
Akron, Ohio 44319

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coventry Local School District, Summit County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2015, wherein we noted the District has experienced reoccurring losses, has a negative General fund balance, and was placed in Fiscal Watch by the Auditor of State in May 1997.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-002 through 2014-005 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

District's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Coventry Local School District  
Summit County  
2910 South Main Street  
Akron, Ohio 44319

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Coventry Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Coventry Local School District's major federal programs for the year ended June 30, 2014. The Summary of Auditor's Results in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Title I, Grants to Local Educational Agencies and Special Education-Grants to States, IDEA-B Federal Programs***

As described in findings 2014-006 through 2014-008 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Title I, Grants to Local Educational Agencies and Special Education-Grants to States, IDEA-B major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

***Qualified Opinion on Title I, Grants to Local Educational Agencies and Special Education-Grants to States, IDEA-B major Federal Programs***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I, Grants to Local Educational Agencies and Special Education-Grants to States, IDEA-B* paragraph, the Coventry Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I, Grants to Local Educational Agencies and Special Education-Grants to States, IDEA-B* for the year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as items 2014-009 and 2014-010. These findings did not require us to modify our compliance opinion on each major federal program.

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

***Report on Internal Control over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider material weaknesses and a deficiency we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-008 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-009 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2015

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**COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Grants to Local Educational Agencies – CFDA #84.010 Special Education – Grants to States, IDEA-B – CFDA #84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**1. Negative Fund Cash Balances**

<i>Finding Number</i>	2014-001
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NONCOMPLIANCE

**Ohio Rev. Code § 5705.10(H)** indicates money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. However, Ohio Rev. Code § 3315.20 provides an allowable exception for school districts. Effective March 30, 2007, a school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [R.C. § 3315.20(A)]
- There is a reasonable likelihood that the payment will be made [R.C. § 3315.20(A)]
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [R.C. § 3315.20(B)]

At June 30, 2014 the following funds had original negative fund balances prior to audit adjustments:

<u>Fund</u>	<u>Balance</u>
001 General	\$(273,870)
002 Bond Retirement	\$(474,045)
499 Miscellaneous State Grants	\$ (1,984)
516 IDEA B Special Ed	\$ (30,466)
572 Title I	\$ (5,325)

The District did not meet all of the above conditions for any of these individual fund's negative balances to be allowable under the ORC.

The District should monitor fund activity to prevent future fund deficits. In those cases where additional funds are required to avoid a cash fund deficit, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

**Official's Response:** See corrective action plan on page 81.

2. **Cash Reconciliations**

<i>Finding Number</i>	2014-002
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MATERIAL WEAKNESS

Month-end bank to book reconciliations performed by the Treasurer/Chief Fiscal Officer and presented to the Board on a monthly basis were not accurate. Bank reconciliations are performed as a means of accounting for the differences between the balances on the bank statements and the cash and investment balances according to the District's records at a specific point in time. The performance of accurate bank reconciliations is a necessary step in the internal control process over financial reporting.

In order to help correct this issue, the Treasurer contracted with the Auditor of State's Local Government Services (LGS) division to assist with the reconciliation process throughout fiscal year 2013 and fiscal year 2014. Approximately 200 and 100 adjusting entries were noted for fiscal years 2013 and 2014, respectively. The following significant issues were noted during testing of the final June 30, 2014 year-end bank reconciliation:

- Thirteen adjusting items totaling \$27,475 were for Earnings on Investments that were not recorded in the Uniform School Accounting System (USAS) system.
- Eight adjusting items totaling \$6,837 were due to Investment fees not recorded to the USAS system.
- Eight adjusting items totaling \$12,676 were related to the receipt of School Employee Retirement System (SERS) and State Teachers Retirement System (STRS) from outside entities to the District. The District is required to remit these payments to the respective pension system on behalf of these entities. In addition, we noted these receipts are not recorded in the USAS system.
- Fourteen adjusting items totaling \$14,980 related to Payroll Withholding Checks that were not recorded in the USAS system.
- Eighteen adjusting items totaling \$20,098 related to Payroll Withdrawals that were not recorded in the USAS system.
- Eight adjusting items totaling \$5,259 related to Return Settlements included on the bank statement but not recorded in the USAS system.
- Six adjusting entries totaling \$14,772 related to various General Account bank transactions not recorded in the system, including Deposits, Reversals, Withdrawals, Corrections, and Checks.
- Four adjusting entries totaling \$70,807 for Receipts recorded in USAS but not included on the bank statements
- Two adjusting entries totaling \$99,217 for Reduction of Expenditure amounts recorded in USAS but not reflected on the bank statements
- Six adjusting entries totaling \$1,758 for amounts recorded in the USAS system that exceeded the amount withdrawn from the School Pay bank account.
- Five adjusting entries totaling \$3,220 for amounts withdrawn from the School Pay bank account that exceeded the amount recorded in the USAS system.
- Thirteen adjusting items totaling \$10,549 for various reasons including, but not limited to; voided general and payroll account checks, receipts recorded as expenditures, expenditures recorded as receipts, and receipts recorded against expenditures.
- One adjusting amount for \$3,577 differences in amounts posted to the Uniform Staff Payroll System (USPS) and USAS systems.

<i>Finding Number</i>	2014-002 (Continued)
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Ultimately, the bank balances were reconciled to the book balance with only a \$50 unknown variance, with the bank amount being greater.

The bank reconciliation process provides an independent verification of the accuracy of the accounting records and must be completed before preparing the financial statements. Performance of accurate bank reconciliations confirms the amount of money the District has available and are a necessary part of the internal controls of the District, particularly in terms of identifying recording errors and fraud. Bank reconciliations should be performed each month by the Treasurer/Chief Fiscal Officer and those reconciliations should be reviewed for accuracy by Board members and/or the superintendent and signed by these individuals to indicate their review and approval. When completed, these bank reconciliations should be presented to the entire Board for review and approval. In addition, to strengthen accountability procedures over pension payments, the District should enter all payments received from outside entities for pension payments within its USAS system.

**Official's Response:** See corrective action plan on page 81.

3. **Receipt Mispostings**

<i>Finding Number</i>	2014-003
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MATERIAL WEAKNESS

The following receipts were improperly posted to the District's accounting system. Amounts were adjusted on the financial statements by the GAAP compilers.

- The February settlement of Real Estate taxes for 2014 was posted to the accounting system net of the related County Fiscal Officer fees, understating both the revenue and expenditures for the audit period in the General Fund, Bond Retirement Fund, and Permanent Improvement fund by \$111,086, \$13,175, and \$2,946, respectively.
- Manufactured Homes real estate tax collections from February 2014 of \$753 and \$168 were receipted into the General Fund rather than the Bond Retirement and Permanent improvement funds, respectively. Additionally, County Fiscal Officer fees related to the collection of those amounts were posted to the General fund as well - \$100 for the Bond Retirement Fund and \$22 for the Permanent Improvement Fund.
- Homestead and Rollback amounts from the February 2014 Real Estate Settlement of \$93,972 and \$20,010 were improperly posted to Property Taxes rather than Intergovernmental Revenue in the Permanent Improvement Fund and Bond Retirement Fund, respectively.
- Debt proceeds of \$21,891,925 were improperly included as property taxes in the Bond Retirement fund (002-9113).
- Tax Anticipation Note "special bond" and "interest" receipts from the County Fiscal Officer of \$535,575 and 21,069, respectively, were improperly posted to the Improvement Bond/High School Account (002-1111-9299) on a cash basis but would more properly be posted to the Tax Anticipation Notes account (002-1111-9809).

<i>Finding Number</i>	2014-003 (Continued)
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In addition, the following errors were also identified which did not require adjustment to the financial statements for reasons noted.

- County Fiscal Officer fees related to the collection of manufactured home taxes in the amount of \$407 were improperly posted as a negative receipt rather than an expenditure in the General Fund. The amount was immaterial and not adjusted on the financial statements.
- Public Utility Real Estate taxes received by the District of \$594,461 were reclassified to Personal Property Taxes on the District's accounting system although they were properly initially recorded as Real Estate taxes. While personal property taxes are no longer received by the District, no adjustments were made to the financial statements, since the amounts are all reported as Property and Other Local Taxes on the financial statements.
- The District maintains an "Other Local Taxes" account to record manufactured home real estate taxes; however, the August 2013 Real Estate Tax settlement for manufactured homes was receipted into the regular real estate account (001-1111) rather than Other Local Taxes (001-1190). While either account would be reasonable, the District should be consistent in its recording of receipts to aid in monitoring procedures. No adjustment was made to the financial statements, since the amounts are all reported as Property and Other Local Taxes on the financial statements.
- As part of the District's Ohio Facilities Construction Commission (OFCC) project, property taxes of \$59,408 each year have been designated to be used for the maintenance of the improved facilities and should be deposited into Fund 034. The District receipted more than the required amount into the 034 fund and used reduction of expenditure transactions to transfer the excess into the Permanent Improvement (PI) (003) fund. The District moved approximately \$1,300 too much into the PI fund.

To enhance accountability controls over receipt postings, the District should:

- Record Real Estate Tax receipts at the gross amount presented by the County Fiscal Officer and record corresponding expenditure for the fees rather than posting the amounts net.
- Record manufactured home taxes to the correct funds at the gross amount, as reported by the County Fiscal Officer, and record related fees to the correct funds.
- Record Homestead and Rollback amounts as intergovernmental revenue rather than Property Taxes.
- Review amounts posted to the property tax accounts to help ensure that only property tax receipts from the County Fiscal Officer are included in property tax accounts.
- Review the accounts to which property tax receipts are posted to help ensure proper posting. This will allow better monitoring of tax receipts and related debt payments.
- Post all County Fiscal Officer fees related to the collection of taxes to an expenditure account rather than as a negative receipt.
- Post Public Utility Real Estate taxes to the Real Estate tax account rather than the Personal Property Tax account.
- Consistently post manufactured home real estate taxes to the same account as a part of both settlements received from the County Fiscal Officer.
- Receipt only the amount required by the OFCC agreement into the Maintenance (034) and record the balance of the Permanent Improvement Levy taxes to the PI fund.

**Official's Response:** See corrective action plan on page 81.

4. **Reduction of Expenditures**

<i>Finding Number</i>	2014-004
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MATERIAL WEAKNESS

The District recorded over 500 reductions of expenditure transactions totaling an absolute value of \$7,465,000 within its accounting system during fiscal year 2014 evidencing an over reliance on this type of entry to post transactions that should be recorded as regular expenditures, transfers or other types of entries as outlined in the Uniform School Accounting System (USAS) Guide.

Auditor of State Bulletin 97-001 addresses accounting issues including transfers and the use of reduction of expenditures within the USAS accounting system. It indicates a reduction of expenditure is appropriate to use when the entity has overpaid and a vendor refund is received, when the return of a deposit is received, or when the return of a prepayment for services is received.

We noted the Fiscal Officer used reduction of expenditure transactions for purposes other than those listed above, including the following:

- To record \$68,887 of County Fiscal Officer Fees (more recently known as Property Tax Collection Fees within USAS) which should have been posted as regular expenditures.
- To record two separate foundation revenue tuition adjustments totaling \$87,307 which should have been posted as regular expenditures.
- To move numerous expenditures from the General Fund to grant funds. The financial statements were adjusted to reflect the transactions in the proper funds.
- To perform intra-fund transfers totaling \$1,677,210 in the General Fund which moved expenditures and eliminated negative balances in certain cost centers.
- To perform intra-fund transfers totaling \$297,434 in the Food Service Fund which moved expenditures and eliminated negative balances in certain cost centers.
- To transfer the Permanent Improvement Fund balance of \$140,841 to the General Fund to subsidize House Bill 264 debt payments. The financial statements were adjusted to reflect the transactions in the proper funds.

To help ensure accurate financial reporting and reduce the potential for budgetary non-compliance, the District should limit its use of reduction of expenditure transactions to only those outlined in Auditor of State Bulletin 97-001.

In addition the District should:

- Review expenditures and post costs associated with tax receipts and foundation receipts as regular expenditures.
- Review expenditures as they occur and if they represent costs allowable to a federal grant, amounts should be posted to the grant at the time of payment or on a timely basis.
- Obtain Board approval for transactions that will affect fund balance and represent the transfer of monies between funds and also post these transactions using the proper USAS transfer in and out coding.
- Use the proper USAS transfer in and out coding to post Board approved transfers.

**Official's Response:** See corrective action plan on page 81.

5. **Transfers**

<i>Finding Number</i>	2014-005
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MATERIAL WEAKNESS

Several "transfers" improperly recorded as positive and negative receipts or reductions of expenditures rather than transfers, were approved by the Board of Education in May and June of 2014, in order to clean up accounts that had expenditures charged to the General Fund but met the requirements for expenditures to be charged to various special funds. However, some of the "transfers" resulted in improper movement of property taxes designated for debt retirement into the General Fund. Other receipts designated for special funds, including state grants, were effectively transferred to the General Fund rather than charging the fund from which the original expenditures should have been made. Amounts "transferred" included:

- The "2013 School Improvement Bond" account included an approved "transfer" of \$116,108 that improperly moved monies from 002-1111-9113 to the General fund (001-1890-0000).
- A "transfer" of \$467,400 was approved from the "Improvement Bond/High School - Real Estate Taxes" account (002-1111-9299) to improperly move monies to the General fund (001-1890-0000).
- Expenditures from several special revenue funds, including state grant funds, public school support funds, and local grant funds, of \$70,824 were approved as "transfers" to the General Fund (001-0000).
- Expenditures were recorded in the Permanent Improvement Fund (003) to reduce House Bill 264 loan payments made from the General Fund (001) totaling \$140,841 were approved as "transfers" to the General Fund.

The accompanying financial statements and District ledgers have been adjusted for these errors.

In order to properly account for legal transfers approved by the Board of Education, the District should record activity as transfers in (receipt code 5100) and transfers out (function 7200) within the accounting system rather than using negative and positive receipts. Additionally, the Board of Education and District should refrain from approving and posting transfers that improperly move monies from restricted funds, such as the Bond Retirement Fund, to the unrestricted General Fund. Expenditures intended to be paid from grants or other special revenue or capital project funds should be paid from the correct fund at the time of payment rather than adjusted after the fact.

**Official's Response:** See corrective action plan on page 81.

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

**1. Federal Title I Questioned Costs – Allowable Costs/Cost Principles**

<b>Finding Number</b>	2014-006
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA #84.010
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE, AND MATERIAL WEAKNESS

**2 CFR Part 225 , Appendix A, Section C(1)(h)** provides that "to be allowable under Federal awards costs must... not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation." The following amounts were charged to the Title I grant in fiscal year 2014 in error as noted:

- Four Academic Skills Tutors for Fiscal Year 2013 were paid from the Grant Year 2013 Title I Fund (572-9013) in the amount of \$63,359. During December of fiscal year 2013 and September of fiscal year 2014, Reduction of Expenditures of \$21,447 and \$42,893, respectively, were recorded to the accounting system to "charge back" the tutors' salaries from the General fund even though they were already paid from Title I. Therefore, the "charge back" amounts totaling \$64,340 represent known questioned costs.
- A Title I Teacher's salary for Grant Year 2013 was paid from the 2013 grant in fiscal year 2013, however, \$22,490 of her fiscal year 2013 salary was "charged back" to the Title I 2013 grant year (572-9013) from the General fund from which the salary was never paid resulting in this amount being charged to the FY2013 Title I program twice. Therefore, the "charge back" amount of \$22,490 represents known questioned costs.

Additionally, several Reduction of Expenditure transactions were made to "charge back" to Title I personal service salaries that were initially paid from the General Fund rather than the Title I Fund. However, some of the "charge back" amounts were based on estimated annual salaries rather than actual amounts paid during the audit period, as follows:

- An employee in the Assistant Superintendent's office was estimated to be paid \$18,450 from Title I for FY14 and that amount was "charged back" to Title I, however, the actual compensation paid to that employee from the General Fund was \$13,402. Therefore, the difference represents known questioned costs of \$5,048.
- One Title I Assessment Technology Assistant was paid \$1,411 for personal services during fiscal year 2014 and the payments were made from the General Fund, however, a Reduction of Expenditure in the amount of \$1,495 was utilized to reclassify those payments as Title I Services. Since the amount reclassified as a "chargeback" exceeded the amount actually, paid to the employee, the difference represents known questioned costs of \$84.
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<b>Finding Number</b>	2014-006 (Continued)
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**2 CFR Part 215.28** provides that "Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency." The District had \$24 of expenditures made during grant year 2012 that were reclassified to the grant year 2014 Title I fund (572-9114) which were incurred and paid outside of the grant year 2014 period of availability. Therefore, this amount represents known questioned costs of \$24.

Finally, the District had a Reduction of Expenditure of \$1,540 which applied this amount to the Title I fund that had no supporting documentation available. Therefore, the total amount of \$1,540 represents known questioned costs.

In total, \$93,526 in expenditures are considered to be federal questioned costs of the Title I Grants to Local Educational Agencies Grant.

In order to help ensure costs related to personal services are charged to the proper grant and therefore are allowable, the District should refrain from using "charge back" transactions to record salaries and charge salaries to grant funds as the amounts are paid rather than after the fact. Additionally, prior to completing the District's final expenditure report, the District should review amounts to be reported to the Ohio Department of Education (ODE) to help ensure that only qualified expenditures are reported and any errors between grant years are corrected timely. If such errors in prior year expenditures are noted and are outside of the period of availability, the District should reclassify amounts as General fund expenditures to avoid period of availability noncompliance.

**Official's Response:** See corrective action plan on page 81.

**2. Federal Time and Effort Records – Allowable Costs/Cost Principles**

<b>Finding Number</b>	2014-007
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA #84.010
<b>Federal Award Number / Year</b>	2014 and 2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE, AND MATERIAL WEAKNESS

**2 C.F.R. Part 225, Appendix B** provides salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation. Such documentary support will be required where employees work on more than one federal award, or a federal award and a non-federal award. Personal activity reports or equivalent documentation must meet the following standards:

<b>Finding Number</b>	2014-007 (Continued)
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- They must reflect an after-the-fact distribution of the actual activity of each employee;
- They must account for the total activity for which the employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Also, **2 C.F.R. Part 225, Appendix B (8)(h)** provides, in part, salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge.

The following Title I grant expenditures did not meet the basic guidelines for allowable costs noted above:

- Of ten Title I employees selected from reduction of expenditure transactions, including Teachers and Tutors paid from or charged back to Title I, eight or 80% did not have proper time and effort or semi-annual certification records documenting time was charged to Title I. Additionally, six of 15, or 40%, Title I employees tested as a part of federal payroll procedures had no semi-annual certification forms or time sheets documenting their time and effort for the Title I program. However, the Assistant Superintendent designates the employees to be paid from Title I knowing the services performed are allowable.
- Three of 15, or 20%, Title I employees tested as a part of payroll procedures had semi-annual certification forms completed in May 2014 that did not indicate a time period for which the certification covered while one of 15, or 6.67% indicated both periods were covered by the form. Based on the completion date of the forms, they were assumed to cover the January - June 2014 period, which left no certification for the period July through December, 2013. Additionally, three of 15, or 20%, Title I employees tested as a part of payroll procedures had semi-annual certification forms completed in May 2014 that indicated the certification covered the entire fiscal year rather than one semi-annual period. Based on the completion date of the forms, they were assumed to cover the January - June 2014 period, which included certification for the pay period selected for testing. However, these employees should have completed another semi-annual certification covering the period July through December, 2013.

A "charge back" transaction was noted for \$43,668 to reclassify fiscal year 2013 substitute teacher charges from the General Fund to the Title I 2013 grant fund. However, no time and effort documentation was maintained to support the propriety of the charges to the Title I fund. Therefore, the \$43,688 represents known questioned costs.

In order to help ensure costs allocated to the Title I grant are properly accounted for and are allowable, the District should implement the following procedures:

<b>Finding Number</b>	2014-007 (Continued)
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- Maintain personal activity reports, or equivalent documentation for all employees paid from any federal programs, in accordance with the requirements of **2 C.F.R. Part 225, Appendix B (8)(h)**. The District should only charge salaries to the Title I program for employees whose work is directly related to the overall intent and purpose of the program. This will help ensure the District is in compliance with all federal time and effort documentation requirements. Furthermore, failure to maintain adequate time and effort documentation could compromise the District's eligibility to participate in future federal grant programs.
- Semi-annual certifications should be completed twice each year and should properly indicate which period the form is intended to certify.

Review substitute teachers activity in the District's time-keeping system to help ensure only substitutes charged to the grant were those that, in fact, substituted for Title I employees and maintain the proper time and effort documentation.

**Official's Response:** See corrective action plan on page 81.

### 3. Federal Special Education Questioned Costs – Allowable Costs/Cost Principles

<b>Finding Number</b>	2014-008
<b>CFDA Title and Number</b>	Special Education – Grants to States, IDEA-B – CFDA #84.027
<b>Federal Award Number / Year</b>	2014 and 2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

#### QUESTIONED COST, NONCOMPLIANCE, AND MATERIAL WEAKNESS

**2 CFR Part 225, Appendix A, Section C(1)(h)** provides that "to be allowable under Federal awards costs must... not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation."

The salary of one Title I teacher in the amount of \$41,874 was improperly paid from the Grant Year 2013 IDEA-B Fund (516-9913) during fiscal year 2013 and then the entire amount was "charged back," from the General fund (001) using a Reduction of Expenditure, to the Grant Year 2013 Title I Fund (572-9113) during September of fiscal year 2013. Since a teacher's salary cannot be charged to two grants for the same time, the amount represents known questioned costs of \$41,874 in the Special Education Grant cluster.

<b>Finding Number</b>	2014-008 (Continued)
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Additionally, **2 CFR Part 215.28** provides that "Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency." The District had \$140 of payroll expenses earned during grant year 2014 that were charged to the grant year 2013 Special Education fund (516-9913) which were incurred outside of the grant year 2013 period of availability. Therefore, this amount represents known questioned costs of \$140 (\$1,294 projected).

Therefore in total, \$42,014 in expenditures (projected to be \$43,168) are considered to be federal questioned costs of the Special Education Grants to States IDEA B Grant.

In order to help ensure costs related to personal services are charged to the proper grant and therefore are allowable, the District should refrain from using "charge back" transactions to record salaries and charge salaries to grant funds as the amounts are paid rather than after the fact. Additionally, prior to finalizing each payroll, the District should closely monitor amounts charged to grant year special cost centers (SCC) as part of payroll using the BUDGET report generated for each payroll. This may help allow the District to determine which employees are paid from which SCC and evaluate the charges for accuracy and compliance.

**Official's Response:** See corrective action plan on page 81.

**4. Schedule of Federal Awards Receipts and Expenditures**

<b>Finding Number</b>	2014-009
<b>CFDA Title and Number</b>	Title I, Grants to Local Educational Agencies – CFDA #84.010 Special Education – Grants to States, IDEA-B – CFDA #84.027 Improving Teacher Quality State Grants, Title II-A – CFDA #84.367 ARRA – Race to the Top – CFDA #84.395
<b>Federal Award Number / Year</b>	2014 and 2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

**Office of Management and Budget (OMB) Circular A\_133 Subpart C, §\_310(b)** Schedule of Expenditures of Federal Awards provides "the auditee shall prepare a schedule of Federal awards for the period covered by the auditee's financial statements. One of the minimum requirements is the schedule shall provide total federal awards expended for each individual federal program and the Catalog of Federal Assistance (CFDA) or other identifying number when the CFDA information is not available."

<b>Finding Number</b>	2014-009 (Continued)
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The District does not have an adequate process or system to track federal receipt and expenditure activity. This information is important for the preparation of the Schedule of Receipts and Expenditures of Federal Awards. Consequently, grant activity was inaccurately reported which could have an adverse effect on future grant awards by the awarding agency or agencies.

While the District prepared the Schedule for the fiscal year, the following issues were noted during the testing of the Schedule:

- One State Administrative Expense for Child Nutrition Grant, CFDA number 10.560 for \$7,200 was not included on the Schedule or on the District's accounting records in Fund 599 - Other Federal Grants.
- The Schedule reported incorrect CFDA numbers for School Breakfast, IDEA-B, and Title I grants.
- The Schedule prepared by the District included expenditure amounts that were the same as the District's receipt amounts, which exceeded the accounting system expenditures as follows:

<u>Fund</u>	<u>Schedule</u>	<u>System</u>	<u>Variance</u>
Race to the Top (Fund 506)	\$ 118,040	\$ 61,754	\$ 56,286
IDEA-B (Fund 516)	\$ 524,730	\$ 421,122	\$ 103,608
Title I (Fund 572)	\$ 576,339	\$ 519,568	\$ 56,771
Title II-A (Fund 590)	\$ 81,898	\$ 42,665	\$ 39,233

To help reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, §\_310(b), due care should be taken in the preparation of the Schedule of Receipts and Expenditures of Federal Awards (the Schedule). The District should:

- Record all federal grant related activity in the proper fund as determined by the Ohio Department of Education (ODE) and review the Schedule for completeness.
- Review ODE's Continuous Comprehensive Improvement Plan (CCIP) and the CFDA websites to confirm the correct CFDA numbers are reported on the Schedule.
- Report on the schedule the actual cash basis expenditures as reflected in the District's accounting records.

**Official's Response:** See corrective action plan on page 81.

5 **Federal Single Audit Reporting**

<b>Finding Number</b>	2014-010
<b>CFDA Title and Number</b>	Special Education – Grants to States – CFDA #84.027 Title I Grants to Local Educational Agencies – CFDA #84.010 ARRA – Race to the Top Incentive Grants – CFDA #84.395 Improving Teacher Quality State Grants – CFDA #84.367 National School Lunch Program – CFDA #10.555 National School Breakfast Program – CFDA #10.553 State Administrative Expenses for Child Nutrition– CFDA #10.560
<b>Federal Award Number / Year</b>	2014, 2013, and 2012
<b>Federal Agency</b>	U.S. Department of Agriculture U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE**

**OMB Circular A-133 Section 200 (b)** provides that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with Section 500 except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section.

**OMB Circular A-133 Section 320 (a)** provides the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The District did not file its June 30, 2014 data collection form and reporting package by March 31, 2015.

We recommend the District submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

**Official's Response:** See corrective action plan on page 81.

**COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Noncompliance - Finding For Recovery – Overpayment to a custodian helper in the amount of \$1,227	No	Partially Corrected. A repayment plan was established to repay over 34 pays. As of June 30, 2014, \$72 has been repaid leaving a balance of \$1,155 to be repaid.
2013-002	Misposting of Revenues	No	Not Corrected. Similar comment issued as finding 2014-003.
2013-003	Cash Reconciliation Errors	No	Not Corrected. Similar comment issued as finding 2014-002.
2013-004	Budget vs. Actual Reporting Errors	No	Partially Corrected. A similar comment reported in management letter.
2013-005	Special Education Grants to States – Allowable Cost Noncompliance and Questioned Cost of \$53,533	No	Not Corrected. Similar comments issued as findings 2014-006 through 2014-008.
2013-006	Federal Awards Receipts and Expenditures Schedule Reporting System Deficiency	No	Not Corrected. Similar comment issued as finding 2014-009

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**COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Corrective action will be taken to discontinue this practice in the future.	July 1, 2015	Treasurer
2014-002	Auditor Office LGS is going to work with Coventry and balance statements through June of 2015. Practices will be put into place to balance statements each month.	August of 2015	Treasurer
2014-003	Procedure and training will be put into place to correct this problem. Some corrections were already made for 2015.	July of 2015	Treasurer
2014-004	Corrective action is already being taken to stop this practice. This problem will not go away until fiscal year 2016.	July of 2016	Treasurer
2014-005	This practice will be stopped immediately. All transfers will be taken to the Board of Education for proper approval.	June of 2015	Treasurer
2014-006	Changes will be put into place to correct this problem in the future. This will happen for the fiscal year 2016 grants.	July of 2016	Treasurer
2014-007	This will be corrected for the fiscal year 2016 federal grants.	July of 2016	Treasurer
2014-008	This practice will be stopped for fiscal year 2016. Employees will be charged to the proper payroll account when paid.	July of 2016	Treasurer
2014-009	This will be corrected as soon as possible. It should be done when closing the books for fiscal year 2015.	June of 2015	Treasurer
2014-010	Procedures will be established to prevent this from happening in the future.	July of 2015	Treasurer

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# Dave Yost • Auditor of State

**COVENTRY LOCAL SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 11, 2015**