

Coventry Local School District

Summit County, Ohio

Basic Financial Statements

For the Fiscal Year Ended
June 30, 2017

COVENTRY LOCAL SCHOOL DISTRICT
Summit County, Ohio

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November 22, 2017

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

Management is responsible for the accompanying basic financial statements of Coventry Local School District, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis and the pension schedules on pages 5 - 14 and 59 - 61, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America.

This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Rea & Associates, Inc.

New Philadelphia, Ohio

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Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

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, 2017. 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 2017 are as follows:

- Net position decreased \$547,490, which represents a 3 percent decrease from 2016.
- Capital assets increased \$1,220,958 during fiscal year 2017 due to the completion of a new high school.
- Outstanding debt decreased from \$36,582,913 to \$34,078,660 in fiscal year 2017 due to the principal payments.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the 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 School District, the general fund is the most significant fund.

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 2017?" 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 fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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
For the Fiscal Year Ended June 30, 2017

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 2017 compared to 2016:

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 19,873,077	\$ 24,580,330
Capital Assets	41,335,182	40,114,224
<i>Total Assets</i>	<u>61,208,259</u>	<u>64,694,554</u>
Deferred Outflows of Resources		
Pension	6,215,905	3,051,523
Liabilities		
Other Liabilities	3,275,818	5,831,997
Long-Term Liabilities:		
Due Within One Year	2,677,550	2,705,027
Due in More Than One Year		
Net Pension Liability	34,932,268	29,591,136
Other Amounts	32,817,328	35,196,335
<i>Total Liabilities</i>	<u>73,702,964</u>	<u>73,324,495</u>
Deferred Inflows of Resources		
Property Taxes and Other	10,906,854	9,827,111
Pension	810,858	2,043,493
<i>Total Deferred Inflows of Resources</i>	<u>11,717,712</u>	<u>11,870,604</u>
Net Position		
Net Investment in Capital Assets	10,241,566	10,730,526
Restricted	3,106,491	4,521,970
Unrestricted	(31,344,569)	(32,701,518)
<i>Total Net Position</i>	<u>\$ (17,996,512)</u>	<u>\$ (17,449,022)</u>

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Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

At year end, capital assets represented 68 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 \$10,241,566 at June 30, 2017. 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, \$3,106,491 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 \$31,344,569.

Coventry Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Current and other assets decreased \$4,707,253 from fiscal year 2016. Cash and investments decreased \$2,599,922 from the prior year due the spending of proceeds from the school improvement bonds issued in 2014. Intergovernmental receivables decreased \$2,145,016 due to the OFCC grant being received as of June 30, 2017.

Capital assets increased \$1,220,958 due to completion of the new high school.

Other liabilities decreased \$2,556,179 from fiscal year 2016 due to a decrease in contracts payable, which was caused by the completion of construction work on the new high school.

The \$1,232,635 decrease in deferred inflows of resources from pension, \$5,341,132 increase in net pension liability and \$3,164,382 increase in deferred outflows of resources for pension were caused by changes related to GASB 68 during 2017.

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Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Table 2 shows the changes in net position for fiscal year 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 6,023,017	\$ 5,193,673
Operating Grants and Contributions	2,293,189	2,416,717
<i>Total Program Revenues</i>	<u>8,316,206</u>	<u>7,610,390</u>
<i>General Revenues:</i>		
Property Taxes	11,123,365	12,248,178
Grants and Entitlements Not Restricted	5,843,538	6,051,532
Other	137,008	133,326
<i>Total General Revenues</i>	<u>17,103,911</u>	<u>18,433,036</u>
<i>Total Revenues</i>	<u>25,420,117</u>	<u>26,043,426</u>
Program Expenses		
<i>Instruction:</i>		
Regular	10,907,874	9,556,307
Special	2,767,743	2,645,667
Vocational	89,411	86,655
Other	1,258,088	1,518,761
<i>Support Services:</i>		
Pupils	1,151,811	1,054,781
Instructional Staff	217,284	212,010
Board of Education	99,612	73,277
Administration	1,588,771	1,679,463
Fiscal	509,030	656,349
Business	50,779	68,389
Operation and Maintenance of Plant	1,965,767	1,746,557
Pupil Transportation	1,232,714	1,232,362
Central	680,143	640,066
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	670,311	573,419
Community Services	371,586	132,382
Other	321,718	367,035
Extracurricular Activities	551,482	495,185
<i>Debt Service:</i>		
Interest and Fiscal Charges	1,533,483	1,590,193
<i>Total Expenses</i>	<u>25,967,607</u>	<u>24,328,858</u>
<i>Increase in Net Position</i>	(547,490)	1,714,568
<i>Net Position at Beginning of Year</i>	(17,449,022)	(19,163,590)
<i>Net Position at End of Year</i>	<u>\$ (17,996,512)</u>	<u>\$ (17,449,022)</u>

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Charges for services increased by \$829,344 mostly due to an increase in open enrollment.

Instruction regular increased \$1,351,567 in fiscal year 2017 due to the increase of depreciation expense from the completion of the new high school. Instruction other decreased \$260,673 from decreases in deductions through State foundation.

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	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 10,907,874	\$ 9,556,307	\$ 5,919,103	\$ 4,411,829
Special	2,767,743	2,645,667	810,850	1,590,323
Vocational	89,411	86,655	89,411	76,168
Other	1,258,088	1,518,761	1,258,088	1,518,761
Support Services:				
Pupils	1,151,811	1,054,781	1,105,006	1,027,704
Instructional Staff	217,284	212,010	184,717	179,054
Board of Education	99,612	73,277	99,612	73,277
Administration	1,588,771	1,679,463	1,586,523	1,673,637
Fiscal	509,030	656,349	509,030	656,349
Business	50,779	68,389	50,779	68,389
Operation and Maintenance of Plant	1,965,767	1,746,557	1,939,921	1,741,157
Pupil Transportation	1,232,714	1,232,362	1,127,516	1,103,192
Central	680,143	640,066	674,743	640,066
Operation of Non-Instructional Services:				
Food Service Operations	670,311	573,419	(72,376)	(235,117)
Community Services	371,586	132,382	105,508	(124,814)
Other	321,718	367,035	321,718	355,804
Extracurricular Activities	551,482	495,185	407,769	372,496
Debt Service:				
Interest and Fiscal Charges	1,533,483	1,590,193	1,533,483	1,590,193
Total Expenses	\$ 25,967,607	\$ 24,328,858	\$ 17,651,401	\$ 16,718,468

The dependence upon general revenues for governmental activities is apparent. Nearly 68 percent of governmental activities are supported through taxes and other general revenues; such revenues are 67 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

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. The change in fund balance for governmental funds was a decrease of \$911,932 for fiscal year 2017.

The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$336,721.

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 2017, 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 and other financing sources were \$363,415 higher than the final budgeted revenue and other financing sources of \$21,818,000. Final and original budget basis revenues and other financing sources remained the same.

Final expenditure and other financing uses appropriations of \$22,642,469 were \$708,256 higher than the actual expenditures other financing uses due to cost savings efforts of the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$41,335,182 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 679,076	\$ 679,076
Construction in Progress	76,857	26,271,174
Buildings and Improvements	38,321,384	13,011,153
Furniture and Equipment	2,232,446	127,023
Vehicles	25,419	25,798
<i>Totals</i>	\$ 41,335,182	\$ 40,114,224

The \$1,220,958 increase in capital assets was attributable to the completion high school project. See Note 9 for more information about the capital assets of the School District.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Debt

At June 30, 2017, the School District had \$34,078,660 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
Loan Payable:		
Energy Conservation Loan Phase #3	\$ 237,244	\$ 290,283
General Obligation Bonds Payable:		
2013 School Improvement Bonds		
Serial and Term Bonds	28,290,000	28,295,000
Capital Appreciation Bonds	8,425	8,425
Accretion on Capital Appreciation Bonds	25,118	14,786
Unamortized Premium	813,526	840,419
	29,137,069	29,158,630
Solvency Assistance	2,419,000	4,838,000
Capital Leases Payable	2,285,347	2,296,000
<i>Total Debt</i>	\$ 34,078,660	\$ 36,582,913

Current Issues

After the declaration of fiscal watch, the School District was required to submit and update a financial recovery plan each year with the state superintendent of public instruction. However, the School District's board of education passed a resolution on October 26, 2015 that stated their inability to adopt a financial recovery plan that would eliminate the projected current year deficit. The Auditor of State's office placed the School District in a state of fiscal emergency on December 4, 2015.

A Financial Planning and Supervision Commission will be created to assume all or part of the powers of the board of education. Three members of this commission must be appointed within 15 days of this declaration of fiscal emergency. A Financial Recovery plan must be developed by the commission within 120 days of its first meeting to address the School District's financial crisis. The School District's Financial Recovery plan was adopted by the Financial Planning and Supervision Commission on May 9, 2016 and approved by the Ohio Superintendent of Public Instruction on May 23, 2016.

The Auditor of State serves as an advisor to commissions for all school districts in fiscal emergency. In this role, the office provides accounting training and assistance, as well as monthly monitoring of the School District's financial activity to ensure compliance with the recovery plan and various accounting rules and reports.

Coventry Local School District
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The School District, operating within the Financial Recovery plan, ended with a substantial positive general fund ending cash balance in fiscal years 2016 and 2017.

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.

Coventry Local School District
Summit County, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,768,223
Cash and Cash Equivalents in Segregated Accounts	1,197,749
Receivables:	
Accounts	47,297
Intergovernmental	961,105
Property Taxes	12,898,703
Nondepreciable Capital Assets	755,933
Depreciable Capital Assets (Net)	40,579,249
<i>Total Assets</i>	61,208,259
Deferred Outflows of Resources	
Pension	6,215,905
Liabilities	
Accounts Payable	165,702
Accrued Wages and Benefits	1,862,583
Contracts Payable	161,368
Intergovernmental Payable	425,253
Retainage Payable	340,886
Accrued Vacation Leave Payable	27,660
Matured Compensated Absences Payable	6,231
Accrued Interest Payable	286,135
Long Term Liabilities:	
Due Within One Year	2,677,550
Due In More Than One Year:	
Net Pension Liability	34,932,268
Other Amounts Due in More Than One Year	32,817,328
<i>Total Liabilities</i>	73,702,964
Deferred Inflows of Resources	
Property Taxes Levied for the Next Fiscal Year	10,906,854
Pension	810,858
<i>Total Deferred Inflows of Resources</i>	11,717,712
Net Position	
Net Investment in Capital Assets	10,241,566
Restricted For:	
Capital Outlay	1,340,901
Debt Service	656,843
Other Purposes	1,108,747
Unrestricted	(31,344,569)
<i>Total Net Position</i>	\$ (17,996,512)

See the accompanying notes and accountant's compilation report.

Coventry Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 10,907,874	\$ 4,922,690	\$ 66,081	\$ (5,919,103)
Special	2,767,743	694,182	1,262,711	(810,850)
Vocational	89,411	0	0	(89,411)
Other	1,258,088	0	0	(1,258,088)
Support Services:				
Pupils	1,151,811	0	46,805	(1,105,006)
Instructional Staff	217,284	4,452	28,115	(184,717)
Board of Education	99,612	0	0	(99,612)
Administration	1,588,771	0	2,248	(1,586,523)
Fiscal	509,030	0	0	(509,030)
Business	50,779	0	0	(50,779)
Operation and Maintenance of Plant	1,965,767	23,210	2,636	(1,939,921)
Pupil Transportation	1,232,714	0	105,198	(1,127,516)
Central	680,143	0	5,400	(674,743)
Operation of Non-Instructional Services:				
Food Service Operations	670,311	234,770	507,917	72,376
Community Services	371,586	0	266,078	(105,508)
Other	321,718	0	0	(321,718)
Extracurricular Activities	551,482	143,713	0	(407,769)
Debt Service:				
Interest and Fiscal Charges	1,533,483	0	0	(1,533,483)
Total	\$ 25,967,607	\$ 6,023,017	\$ 2,293,189	(17,651,401)

General Revenues

Property Taxes Levied for:	
General Purposes	9,735,908
Debt Service	1,134,560
Capital Outlay	193,489
Classroom Facilities Maintenance	59,408
Grants and Entitlements Not Restricted to Specific Programs	5,843,538
Investment Earnings	(15,057)
Miscellaneous	152,065
Total General Revenues	17,103,911
Change in Net Position	(547,490)
Net Position Beginning of Year	(17,449,022)
Net Position End of Year	\$ (17,996,512)

See the accompanying notes and accountant's compilation report.

Coventry Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,042,826	\$ 2,725,397	\$ 4,768,223
Cash and Cash Equivalents in Segregated Accounts	0	1,197,749	1,197,749
Receivables:			
Accounts	47,297	0	47,297
Interfund	184,642	0	184,642
Intergovernmental	568,830	392,275	961,105
Property Taxes	11,286,841	1,611,862	12,898,703
<i>Total Assets</i>	<u>\$ 14,130,436</u>	<u>\$ 5,927,283</u>	<u>\$ 20,057,719</u>
Liabilities			
Accounts Payable	\$ 98,568	\$ 67,134	\$ 165,702
Accrued Wages and Benefits	1,724,807	137,776	1,862,583
Contracts Payable	0	161,368	161,368
Intergovernmental Payable	414,113	11,140	425,253
Retainage Payable	0	340,886	340,886
Matured Compensated Absences Payable	6,231	0	6,231
Interfund Payable	0	184,642	184,642
<i>Total Liabilities</i>	<u>2,243,719</u>	<u>902,946</u>	<u>3,146,665</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Fiscal Year	9,550,997	1,355,857	10,906,854
Unavailable Revenue - Delinquent Property Taxes	625,142	92,166	717,308
Unavailable Revenue - Other	440,730	392,275	833,005
<i>Total Deferred Inflows of Resources</i>	<u>10,616,869</u>	<u>1,840,298</u>	<u>12,457,167</u>
Fund Balances			
Restricted	0	3,499,418	3,499,418
Committed	11,000	0	11,000
Assigned	859,046	0	859,046
Unassigned	399,802	(315,379)	84,423
<i>Total Fund Balances</i>	<u>1,269,848</u>	<u>3,184,039</u>	<u>4,453,887</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 14,130,436</u>	<u>\$ 5,927,283</u>	<u>\$ 20,057,719</u>

See the accompanying notes and accountant's compilation report.

Coventry Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 4,453,887
 <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.		41,335,182
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 717,308	
Charges for Services	440,730	
Intergovernmental	392,275	1,550,313
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	6,215,905	
Deferred Inflows - Pension	(810,858)	
Net Pension Liability	(34,932,268)	(29,527,221)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported at maturity.		(286,135)
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	(28,290,000)	
Capital Appreciation Bonds	(8,425)	
Accretion on Capital Appreciation Bonds	(25,118)	
Loans Payable	(237,244)	
Bond Premium	(813,526)	
Capital Leases	(2,285,347)	
Solvency Assistance	(2,419,000)	
Accrued Vacation Payable	(27,660)	
Compensated Absences	(1,416,218)	(35,522,538)
<i>Net Position of Governmental Activities</i>		\$ (17,996,512)

See the accompanying notes and accountant's compilation report.

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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 9,761,598	\$ 1,392,005	\$ 11,153,603
Intergovernmental	6,286,324	4,456,927	10,743,251
Investment Income	0	(15,057)	(15,057)
Tuition and Fees	5,244,104	0	5,244,104
Extracurricular Activities	50,073	133,318	183,391
Rentals	25,211	0	25,211
Charges for Services	0	234,770	234,770
Contributions and Donations	2,133	0	2,133
Miscellaneous	73,207	78,858	152,065
<i>Total Revenues</i>	<u>21,442,650</u>	<u>6,280,821</u>	<u>27,723,471</u>
Expenditures			
Current:			
Instruction:			
Regular	8,373,209	57,799	8,431,008
Special	1,861,192	814,803	2,675,995
Vocational	84,505	0	84,505
Other	1,258,088	0	1,258,088
Support Services:			
Pupils	989,744	52,376	1,042,120
Instructional Staff	173,374	28,694	202,068
Board of Education	99,019	0	99,019
Administration	1,510,168	1,829	1,511,997
Fiscal	468,250	27,113	495,363
Business	50,779	0	50,779
Operation and Maintenance of Plant	1,606,501	67,155	1,673,656
Pupil Transportation	1,175,450	6,015	1,181,465
Central	645,784	330	646,114
Extracurricular Activities	367,792	142,582	510,374
Operation of Non-Instructional Services:			
Food Service Operations	8,516	621,316	629,832
Community Services	50,979	297,494	348,473
Other	321,718	0	321,718
Capital Outlay	152,165	3,306,920	3,459,085
Debt Service:			
Principal Retirement	2,542,039	110,653	2,652,692
Interest and Fiscal Charges	40,099	1,485,953	1,526,052
<i>Total Expenditures</i>	<u>21,779,371</u>	<u>7,021,032</u>	<u>28,800,403</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(336,721)</u>	<u>(740,211)</u>	<u>(1,076,932)</u>
Other Financing Sources (Uses)			
Inception of Capital Lease	0	165,000	165,000
<i>Net Change in Fund Balance</i>	(336,721)	(575,211)	(911,932)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>1,606,569</u>	<u>3,759,250</u>	<u>5,365,819</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ 1,269,848</u>	<u>\$ 3,184,039</u>	<u>\$ 4,453,887</u>

See the accompanying notes and accountant's compilation report.

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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	(911,932)
 <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.		
Capital Asset Additions	\$ 3,237,774	
Current Year Depreciation	<u>(2,016,816)</u>	1,220,958
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.		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(30,238)	
Other	(6,245)	
Charges for Services	335,541	
Intergovernmental	<u>(2,602,412)</u>	(2,303,354)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		2,652,692
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,589,705
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(2,533,820)
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(165,000)
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	(23,992)	
Amortization of Premium on Bonds	<u>26,893</u>	2,901
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	(97,769)	
Accrued Vacation Payable	<u>8,461</u>	(89,308)
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>(10,332)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(547,490)</u></u>

See the accompanying notes and accountant's compilation report.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources	\$ 21,818,000	\$ 21,818,000	\$ 22,181,415	\$ 363,415
Expenditures and Other Financing Uses	22,642,469	22,642,469	21,934,213	708,256
Net Change in Fund Balance	(824,469)	(824,469)	247,202	1,071,671
<i>Fund Balance Beginning of Year</i>	1,518,610	1,518,610	1,518,610	0
Prior Year Encumbrances Appropriated	271,711	271,711	271,711	0
<i>Fund Balance End of Year</i>	<u>\$ 965,852</u>	<u>\$ 965,852</u>	<u>\$ 2,037,523</u>	<u>\$ 1,071,671</u>

See the accompanying notes and accountant's compilation report.

Coventry Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 167,870	\$ 131,913
Investments in Segregated Accounts	38,231	0
	206,101	\$ 131,913
<i>Total Assets</i>		
Liabilities		
Due to Students	\$ 0	\$ 131,913
	0	\$ 131,913
<i>Total Liabilities</i>		
Net Position		
Held in Trust for Scholarships	\$ 206,101	
	206,101	

See the accompanying notes and accountant's compilation report.

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, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 9,422
Investment Earnings	13,739
<i>Total Additions</i>	23,161
 Deductions	
Payments in Accordance with Trust Agreements	3,786
<i>Change in Net Position</i>	19,375
<i>Net Position Beginning of Year</i>	186,726
<i>Net Position End of Year</i>	\$ 206,101

See the accompanying notes and accountant's compilation report.

Coventry Local School District

Summit County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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, 16 and 17 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, 2017

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 fiscal 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 is the School District's major governmental fund:

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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.

Coventry Local School District

Summit County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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" for the state share capital improvement fund and "Investments in Segregated Accounts" which is for the private-purpose trust fund.

During fiscal year 2017, investments were limited to donated stocks.

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 (including fair market value adjustments for investments).

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the capital improvements.

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 acquisition values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 - 30 Years
Vehicles	5 - 10 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.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

J. 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, compensated absences and net pension liability 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.

K. 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, 2017, 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.

L. 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.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

M. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

O. Estimates

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

P. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the 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 2017.

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.

Q. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

Coventry Local School District
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Notes to the Basic Financial Statements
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GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 3 – Fund Deficits

Fund balances at June 30, 2017 included the following individual fund deficits:

	Deficit <u>Fund Balance</u>
<i>Nonmajor Governmental Fund:</i>	
Miscellaneous State Grants	\$ 7,173
IDEA Part B	223,188
Title I	85,018

The deficits 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.

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.

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget basis) rather than as assigned, committed or restricted fund balance (GAAP basis).
4. 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	\$	(336,721)
Net Adjustment for Revenue Accruals		838,840
Net Adjustment for Expenditure Accruals		(229,463)
Funds Budgeted Elsewhere		15,307
Adjustment for Encumbrances		<u>(40,761)</u>
Budget Basis	<u>\$</u>	<u>247,202</u>

** 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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 40 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 2017, the School District and public depositories complied with the provisions of these statutes.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$6,265,755 and the bank balance was \$6,668,474. Of the bank balance:

1. \$253,099 was covered by depository insurance; and
2. \$6,415,375 was exposed to custodial credit risk as described previously. 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 - As of June 30, 2017, the School District had the following investments:

S&P Global Ratings	Investment Type	Measurement Amount	Investment Maturities	
			6 Months or Less	Percent of Total
AA-	Procter & Gamble Co Stock	\$ 11,330	\$ 11,330	29.64%
A-2	Scana Corp Com Stock	13,603	13,603	35.58%
A	Wells Fargo & Co New Stock	13,298	13,298	34.78%
Totals		\$ 38,231	\$ 38,231	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. All investments of the School District are valued using quoted market prices (Level 1 inputs).

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

Credit Risk The School District's investments at June 30, 2017 are rated as shown above by S & P Global Ratings. The School District has no investment policy that would further limit its investment choices.

Coventry Local School District
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Notes to the Basic Financial Statements
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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.

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. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, bond retirement and permanent improvement funds was \$1,110,702, \$133,802, and \$30,037, respectively. The amount available for advance at June 30, 2016, in the general, bond retirement and permanent improvement funds was \$2,022,226, \$255,580, and \$55,852, respectively. 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, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only 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.

Coventry Local School District
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Notes to the Basic Financial Statements
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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.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 279,392,520	96%	\$ 279,103,890	96%
Public Utility Personal Property	11,562,710	4%	13,065,920	4%
Total	\$ 290,955,230	100%	\$ 292,169,810	100%
 Full Tax Rate per \$1,000 of assessed valuation	 \$ 79.43		 \$ 79.23	

Note 7 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2017 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 184,642	\$ 0
<i>Nonmajor Governmental Funds:</i>		
Miscellaneous State Grants Fund	0	4,235
IDEA - Part B Fund	0	164,455
Title I - Disadvantaged Children Fund	0	15,952
Total	\$ 184,642	\$ 184,642

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, 2017 are reported on the Statement of Net Position.

Note 8 - Receivables

Receivables at June 30, 2017 consisted of property taxes, interfund, accounts and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 679,076	\$ 0	\$ 0	\$ 679,076
Construction in Progress	26,271,174	2,622,563	(28,816,880)	76,857
<i>Total Capital Assets, not being depreciated</i>	<u>26,950,250</u>	<u>2,622,563</u>	<u>(28,816,880)</u>	<u>755,933</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	20,851,070	27,118,917	0	47,969,987
Furniture and Equipment	2,116,977	2,296,601	0	4,413,578
Vehicles	355,382	16,573	0	371,955
<i>Total Capital Assets, being depreciated</i>	<u>23,323,429</u>	<u>29,432,091</u>	<u>0</u>	<u>52,755,520</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(7,839,917)	(1,808,686)	0	(9,648,603)
Furniture and Equipment	(1,989,954)	(191,178)	0	(2,181,132)
Vehicles	(329,584)	(16,952)	0	(346,536)
<i>Total Accumulated Depreciation</i>	<u>(10,159,455)</u>	<u>(2,016,816)</u>	<u>0</u>	<u>(12,176,271)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>13,163,974</u>	<u>27,415,275</u>	<u>0</u>	<u>40,579,249</u>
<i>Governmental Capital Assets, net</i>	<u>\$ 40,114,224</u>	<u>\$ 30,037,838</u>	<u>\$ (28,816,880)</u>	<u>\$ 41,335,182</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,894,277
Special	3,126
Support Services:	
Pupils	1,336
Instructional Staff	4,292
Administration	717
Fiscal	350
Operation and Maintenance of Plant	20,803
Pupil Transportation	28,104
Central	3,860
Operation of Non-Instructional Services:	
Food Service Operations	27,838
Community Services	6,435
Extracurricular	25,678
Total Depreciation Expense	<u>\$ 2,016,816</u>

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
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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 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

Coventry Local School District
Summit County, Ohio
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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.

Note 12 – Defined Benefit Pension Plans

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Coventry Local School District
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For the Fiscal Year Ended June 30, 2017

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$354,877 for fiscal year 2017. Of this amount, \$19,440 is reported as an intergovernmental payable.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,234,828 for fiscal year 2017. Of this amount, \$223,905 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 28,739,040	\$ 6,193,228	\$ 34,932,268
Proportion of the Net Pension Liability:			
Current Measurement Date	0.08585734%	0.08461760%	
Prior Measurement Date	0.08824592%	0.09117520%	
Change in Proportionate Share	-0.00238858%	-0.00655760%	
 Pension Expense	 \$ 1,968,492	 \$ 565,328	 \$ 2,533,820

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District’s proportion of the collective net pension liability. The deferred outflows of resources and deferred inflows of resources are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows of resources and deferred inflows of resources resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 1,161,195	\$ 83,532	\$ 1,244,727
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,386,114	510,849	2,896,963
Changes of Assumptions	0	413,432	413,432
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	71,078	71,078
School District Contributions Subsequent to the Measurement Date	1,234,828	354,877	1,589,705
Total Deferred Outflows of Resources	<u>\$ 4,782,137</u>	<u>\$ 1,433,768</u>	<u>\$ 6,215,905</u>

Deferred Inflows of Resources

Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 509,570</u>	<u>\$ 301,288</u>	<u>\$ 810,858</u>
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\$1,589,705 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 426,932	\$ 174,796	\$ 601,728
2019	426,935	174,426	601,361
2020	1,342,553	281,533	1,624,086
2021	841,319	146,848	988,167
	<u>\$ 3,037,739</u>	<u>\$ 777,603</u>	<u>\$ 3,815,342</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 8,199,447	\$ 6,193,228	\$ 4,513,938

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on the fifth anniversary of the retirement date

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 38,191,849	\$ 28,739,040	\$ 20,765,038

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$43,113.

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For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$26,596. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

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Coventry Local School District
Summit County, Ohio
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Note 14 - Long - Term Obligations

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

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Governmental Activities					
<i>Loans Payable:</i>					
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2021	\$ 290,283	\$ 0	\$ 53,039	\$ 237,244	\$ 55,437
<i>General Obligation Bonds Payable:</i>					
2013 School Improvement Bonds, 3.00%-5.25% Due 11/1/2047	28,295,000	0	5,000	28,290,000	5,000
Capital Appreciation Bonds	8,425	0	0	8,425	0
Accretion on Capital Appreciation Bonds	14,786	0	(10,332)	25,118	0
Unamortized Premium on Bonds	840,419	0	26,893	813,526	0
<i>Total Bonds Payable</i>	29,158,630	0	21,561	29,137,069	5,000
<i>Long-Term Note Payable:</i>					
Solvency Assistance	4,838,000	0	2,419,000	2,419,000	2,419,000
<i>Net Pension Liability:</i>					
STRS	24,388,591	4,350,449	0	28,739,040	0
SERS	5,202,545	990,683	0	6,193,228	0
<i>Total Net Pension Liability</i>	29,591,136	5,341,132	0	34,932,268	0
<i>Other Long-Term Liabilities</i>					
Capital Leases	2,296,000	165,000	175,653	2,285,347	178,450
Compensated Absences	1,318,449	192,420	94,651	1,416,218	19,663
<i>Total Other Long-Term Liabilities</i>	3,614,449	357,420	270,304	3,701,565	198,113
<i>Total Governmental Activities Long-Term Liabilities</i>	\$ 67,492,498	\$ 5,698,552	\$ 2,763,904	\$ 70,427,146	\$ 2,677,550

Loans Payable

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 year 2021.

General Obligation Bonds Payable

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 as 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, 2017 was \$26,893. 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.

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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 2017, \$10,332 was accreted for a liability of \$25,118.

Long-Term Notes Payable

In May 2016, the School District received a \$4,838,000 solvency assistance loan from the State of Ohio. The money was used to repay the Stark County Schools Council of Governments Health Benefit Plan for health insurance premiums and operating income. The note is non-interest bearing, and is being repaid through deductions from the School District's semi-monthly State foundation settlements. The final payment will be made in June 2018.

The energy conservation loan and the Solvency Assistance 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 and the permanent improvement fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		Energy Conservation Loan		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Accretion
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	130,000	1,415,824	60,563	5,600	0	0
2021	150,000	1,408,825	63,301	2,862	0	0
2022	270,000	1,398,325	0	0	0	0
2023 - 2027	1,990,000	6,736,125	0	0	0	0
2028 - 2032	1,190,000	6,416,350	0	0	8,425	2,266,575
2033 - 2037	5,070,000	5,652,232	0	0	0	0
2038 - 2042	7,350,000	4,105,720	0	0	0	0
2043 - 2047	9,760,000	1,926,651	0	0	0	0
2048	2,270,000	59,588	0	0	0	0
Total	\$ 28,290,000	\$ 31,965,739	\$ 237,244	\$ 27,408	\$ 8,425	\$ 2,266,575

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Fiscal Year Ending June 30,	Solvency Assistance	Total	
	Principal	Principal	Interest/ Accretion
2018	\$ 2,419,000	\$ 2,479,437	\$ 1,435,125
2019	0	162,943	1,429,920
2020	0	190,563	1,421,424
2021	0	213,301	1,411,687
2022	0	270,000	1,398,325
2023 - 2027	0	1,990,000	6,736,125
2028 - 2032	0	1,198,425	8,682,925
2033 - 2037	0	5,070,000	5,652,232
2038 - 2042	0	7,350,000	4,105,720
2043 - 2047	0	9,760,000	1,926,651
2048	0	2,270,000	59,588
Total	<u>\$ 2,419,000</u>	<u>\$ 30,954,669</u>	<u>\$ 34,259,722</u>

Note 15 - 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 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. Accumulated depreciation was \$435,559 as of June 30, 2017, leaving a current book value of \$1,064,441. 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, 2017, \$1,500,000 of capital assets acquired by lease have been capitalized as buildings and improvements. Accumulated depreciation was \$207,558 as of June 30, 2017, leaving a current book value of \$1,292,442. Payments will be made on the lease from the building fund.

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In fiscal year 2017, the School District entered into a lease-purchase agreement for stadium lights. 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.

As of June 30, 2017, \$165,000 of capital assets acquired by lease have been capitalized as buildings and improvements. Accumulated depreciation was \$11,000 as of June 30, 2017, leaving a current book value of \$154,000. A corresponding liability was recorded in the statement of net position and is reduced for each required principal payment.

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, 2017:

	Modular Units	Ohio School Building	Stadium Lights	Total
Fiscal Year Ending June 30, 2018	\$ 120,766	\$ 133,678	\$ 35,653	\$ 290,097
2019	120,248	130,678	35,652	286,578
2020	119,584	132,338	35,653	287,575
2021	118,776	133,543	35,653	287,972
2022	118,824	134,293	0	253,117
2023 - 2027	583,572	655,706	0	1,239,278
2028 - 2029	115,302	264,663	0	379,965
Total	1,297,072	1,584,899	142,611	3,024,582
Less: Amount Representing Interest	306,072	419,899	13,264	739,235
Present Value of Net Minimum Lease Payments	\$ 991,000	\$ 1,165,000	\$ 129,347	\$ 2,285,347

Note 16 - 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 fiscal ended June 30, 2017 the School District paid \$187,717 to NEONET for basic service charges.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 17 - 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 18 - 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.

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, 2016	\$ 0
Current Year Set-aside Requirement	379,228
Current Year Offsets	(320,586)
Offset from Bond Proceeds	(58,642)
Totals	\$ 0
Balance Carried Forward to Fiscal Year 2018	\$ 0
Set-aside Restricted Balance as of June 30, 2017	\$ 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, 2017 was \$27,515,010.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 19 - 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 governmental funds are presented as follows:

	General Fund	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Restricted for:			
Debt Service	\$ 0	\$ 813,825	\$ 813,825
Capital Outlay	0	1,647,328	1,647,328
Facilities Maintenance	0	199,566	199,566
Student Activities	0	105,834	105,834
Food Service	0	516,813	516,813
Other Purposes	0	216,052	216,052
	<u>0</u>	<u>3,499,418</u>	<u>3,499,418</u>
Total Restricted	<u>0</u>	<u>3,499,418</u>	<u>3,499,418</u>
Committed for:			
Underground Storage Tank	11,000	0	11,000
	<u>11,000</u>	<u>0</u>	<u>11,000</u>
Assigned for:			
Encumbrances:			
Instruction	4,345	0	4,345
Support Services	26,033	0	26,033
Subsequent Year Appropriations	828,668	0	828,668
Total Restricted	<u>859,046</u>	<u>0</u>	<u>859,046</u>
Unassigned (Deficit)	<u>399,802</u>	<u>(315,379)</u>	<u>84,423</u>
<i>Total Fund Balance (Deficit)</i>	<u>\$ 1,269,848</u>	<u>\$ 3,184,039</u>	<u>\$ 4,453,887</u>

Note 20 - 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, 2017.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. School District Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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	\$ 30,378
Nonmajor Governmental Funds	169,576
Total	\$ 199,954

Note 21 - Fiscal Emergency

On December 4, 2015, the School District was declared into fiscal emergency by the Auditor of State as defined by the Ohio Revised Code Section 3316.03(B)(3). In accordance with the law, a five-member Financial Planning and Supervision Commission will be established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Summit County Fiscal Officer. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan. The recovery plan was adopted by the Financial Planning and Supervision Commission on May 9, 2016 and approved by the Ohio Superintendent of Public Instruction on May 23, 2016. In May 2016, the School District received a \$4,838,000 advance from the State of Ohio’s School District Solvency Assistance Fund, which it is repaying through foundation deductions over the next two years. The balance of the advance was \$2,419,000 as of fiscal year end 2017.

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Coventry Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.08585734%	0.08824592%	0.08875798%	0.08875798%
School District's Proportionate Share of the Net Pension Liability	\$ 28,739,040	\$ 24,388,591	\$ 21,589,012	\$ 25,716,690
School District's Covered Payroll	\$ 10,107,750	\$ 8,754,400	\$ 9,418,569	\$ 9,581,962
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	284.33%	278.59%	229.22%	268.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.08461760%	0.09117520%	0.08881500%	0.08881500%
School District's Proportionate Share of the Net Pension Liability	\$ 6,193,228	\$ 5,202,545	\$ 4,494,877	\$ 5,281,543
School District's Covered Payroll	\$ 2,402,914	\$ 3,243,460	\$ 2,950,166	\$ 2,710,896
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	257.74%	160.40%	152.36%	194.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Coventry Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,234,828	\$ 1,415,085	\$ 1,225,616	\$ 1,224,414
Contributions in Relation to the Contractually Required Contribution	<u>(1,234,828)</u>	<u>(1,415,085)</u>	<u>(1,225,616)</u>	<u>(1,224,414)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 8,820,200	\$ 10,107,750	\$ 8,754,400	\$ 9,418,569
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 354,877	\$ 336,408	\$ 427,488	\$ 408,893
Contributions in Relation to the Contractually Required Contribution	<u>(354,877)</u>	<u>(336,408)</u>	<u>(427,488)</u>	<u>(408,893)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,534,836	\$ 2,402,914	\$ 3,243,460	\$ 2,950,166
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,245,655	\$ 1,251,962	\$ 1,204,186	\$ 1,176,589	\$ 1,225,226	\$ 1,116,941
<u>(1,245,655)</u>	<u>(1,251,962)</u>	<u>(1,204,186)</u>	<u>(1,176,589)</u>	<u>(1,225,226)</u>	<u>(1,116,941)</u>
<u>\$ 0</u>					
\$ 9,581,962	\$ 9,630,477	\$ 9,262,969	\$ 9,050,685	\$ 9,424,815	\$ 8,591,854
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 375,188	\$ 365,986	\$ 388,330	\$ 413,605	\$ 294,678	\$ 265,848
<u>(375,188)</u>	<u>(365,986)</u>	<u>(388,330)</u>	<u>(413,605)</u>	<u>(294,678)</u>	<u>(265,848)</u>
<u>\$ 0</u>					
\$ 2,710,896	\$ 2,721,086	\$ 3,089,340	\$ 3,054,690	\$ 2,994,695	\$ 2,707,210
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%