

**COVENTRY LOCAL
SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Coventry Local School District
2910 South Main Street
Akron, Ohio 44319

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 24, 2016

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**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Coventry Local School District
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coventry Local School District, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at July 1, 2014.

As described in Note 22 to the basic financial statements, the District was declared into fiscal emergency by the Auditor of State. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, and Schedule of School District Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coventry Local School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, on our consideration of the Coventry Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coventry Local School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA,
Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2016.03.31 12:33:46 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 18, 2016

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Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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, 2015. 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 2015 are as follows:

- Net position increased \$2,401,611, which represents a 11 percent increase from 2014.
- Capital assets increased \$13,011,927 during fiscal year 2015 from construction in progress for the construction of a new high school.
- Outstanding debt decreased from \$34,689,212 to \$33,374,041 in fiscal year 2015 due to principal payments made by the School District.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$29,364,926.

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 and classroom facilities funds are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" 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
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in one agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. 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, 2015

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 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	Restated 2014
Assets		
Current and Other Assets	\$ 35,976,144	\$ 47,224,933
Capital Assets	24,117,075	11,105,148
<i>Total Assets</i>	<u>60,093,219</u>	<u>58,330,081</u>
Deferred Outflows of Resources		
Pension	1,899,201	1,633,307
Liabilities		
Other Liabilities	5,839,228	4,748,427
Long-Term Liabilities:		
Due Within One Year	883,248	939,640
Due in More Than One Year		
Net Pension Liability	26,083,889	30,998,233
Other Amounts	33,753,005	34,488,832
<i>Total Liabilities</i>	<u>66,559,370</u>	<u>71,175,132</u>
Deferred Inflows of Resources		
Property Taxes and Other	9,873,060	10,353,457
Pension	4,723,580	0
<i>Total Deferred Inflows of Resources</i>	<u>14,596,640</u>	<u>10,353,457</u>
Net Position		
Net Investment in Capital Assets	5,738,994	1,066,524
Restricted	9,414,987	11,237,995
Unrestricted	(34,317,571)	(33,869,720)
<i>Total Net Position</i>	<u>\$ (19,163,590)</u>	<u>\$ (21,565,201)</u>

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new 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.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$7,799,725 to a deficit balance of \$21,565,201.

At year end, capital assets represented 40 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 \$5,738,994 at June 30, 2015. 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, \$9,414,987 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 \$34,317,571.

Current and other assets decreased \$11,248,789 from fiscal year 2014. Cash and investments decreased \$10,460,156 from the prior year due the spending of proceeds from the school improvement bonds issued in 2014. Intergovernmental receivables decreased \$1,114,186 due to most of the OFCC grant being received in fiscal year 2014.

Capital assets increased \$13,011,927 due to the completion of the renovation of the high school and middle school. Construction in progress increased due to the building of the new high school.

There was also a \$4,723,580 increase in deferred inflows for pension and a \$265,894 increase in deferred outflows for pension caused by the implementation of GASB 68.

The \$5,706,563 decrease in long-term liabilities was caused by the decrease in net pension liability and principal retirement on outstanding debt.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Table 2 shows the changes in net position for fiscal year 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 5,356,120	\$ 5,267,393
Operating Grants and Contributions	2,311,303	2,339,537
Capital Grants	450,000	0
<i>Total Program Revenues</i>	<u>8,117,423</u>	<u>7,606,930</u>
<i>General Revenues:</i>		
Property Taxes	12,923,632	12,324,603
Income Taxes	0	0
Grants and Entitlements Not Restricted	5,467,759	4,896,905
Grants and Entitlements Not Restricted - OFCC	0	11,130,916
Other	412,139	256,325
<i>Total General Revenues</i>	<u>18,803,530</u>	<u>28,608,749</u>
<i>Total Revenues</i>	<u>26,920,953</u>	<u>36,215,679</u>
Program Expenses		
<i>Instruction:</i>		
Regular	9,604,491	9,488,571
Special	2,770,660	2,576,849
Vocational	87,114	85,546
Other	1,142,327	963,936
<i>Support Services:</i>		
Pupils	982,781	997,935
Instructional Staff	136,955	149,448
Board of Education	53,226	80,377
Administration	1,775,195	1,623,383
Fiscal	579,971	633,311
Business	60,043	63,136
Operation and Maintenance of Plant	2,000,697	2,538,796
Pupil Transportation	1,367,913	1,417,340
Central	668,055	733,918
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	579,587	613,928
Community Services	303,927	374,514
Other	426,604	465,454
Extracurricular Activities	368,849	332,661
<i>Debt Service:</i>		
Interest and Fiscal Charges	1,610,947	1,182,686
Issuance Cost	0	392,334
<i>Total Expenses</i>	<u>24,519,342</u>	<u>24,714,123</u>
<i>Increase in Net Position</i>	<u>\$ 2,401,611</u>	<u>\$ 11,501,556</u>

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,633,307 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,196,446. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68		\$	24,519,342
Pension expense under GASB 68			(1,196,446)
2015 contractually required contribution			1,653,104
Adjusted 2015 program expenses			24,976,000
Total 2014 program expenses under GASB 27			24,714,123
Increase in program expenses not related pension		\$	261,877

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

The decrease in unrestricted grants and entitlements of \$10,560,062 is due to the entire State share of the OFCC project being recognized as revenue in fiscal year 2014 for construction of a new high school. This was partially offset by additional State foundation revenue received in fiscal year 2015.

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.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 9,604,491	\$ 9,488,571	\$ 4,400,188	\$ 4,700,774
Special	2,770,660	2,576,849	1,631,109	1,167,298
Vocational	87,114	85,546	82,393	76,132
Other	1,142,327	963,936	1,142,327	963,936
Support Services:				
Pupils	982,781	997,935	949,192	986,373
Instructional Staff	136,955	149,448	96,104	115,842
Board of Education	53,226	80,377	53,226	80,377
Administration	1,775,195	1,623,383	1,748,772	1,563,425
Fiscal	579,971	633,311	579,971	633,311
Business	60,043	63,136	60,043	63,136
Operation and Maintenance of Plant	2,000,697	2,538,796	2,000,697	2,538,548
Pupil Transportation	1,367,913	1,417,340	794,045	1,283,548
Central	668,055	733,918	662,655	723,900
Operation of Non-Instructional Services:				
Food Service Operations	579,587	613,928	(82,521)	(101,964)
Community Services	303,927	374,514	(26,874)	142,415
Other	426,604	465,454	426,604	363,671
Extracurricular Activities	368,849	332,661	273,041	231,451
Debt Service:				
Interest and Fiscal Charges	1,610,947	1,182,686	1,610,947	1,182,686
Issuance Cost	0	392,334	0	392,334
Total Expenses	\$ 24,519,342	\$ 24,714,123	\$ 16,401,919	\$ 17,107,193

The dependence upon general revenues for governmental activities is apparent. Nearly 69 percent of governmental activities are supported through taxes and other general revenues; such revenues are 71 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$27,412,820 and expenditures of \$38,294,170. The change in fund balance for governmental funds was an decrease of \$10,881,350 for fiscal year 2015.

The general fund's net change in fund balance for fiscal year 2015 was a decrease of \$503,261, primarily the result of deficit spending by the School District.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The classroom facilities fund showed a decrease in fund balance of \$7,961,146 in fiscal year 2015. This decrease is due to expenditures being made for the construction of the new high school.

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 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$137,828 higher than the final budgeted revenue of \$21,745,485 with property taxes and intergovernmental revenues being underestimated. Original budget basis revenues were estimated lower than final budget by \$245,000 mainly in property tax revenues.

Final expenditure appropriations of \$22,540,222 were \$607,077 less than the actual expenditures. Original appropriations were \$1,020,588 lower than final appropriations with no individually significant item accounting for the difference.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$24,117,075 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 679,076	\$ 679,076
Construction in Progress	9,314,579	6,447,553
Buildings and Improvements	13,910,039	3,718,221
Furniture and Equipment	172,678	199,623
Vehicles	40,703	60,675
<i>Totals</i>	\$ 24,117,075	\$ 11,105,148

The \$13,011,927 increase in capital assets was attributable to the construction in progress for the OFCC high school project. See Note 9 for more information about the capital assets of the School District.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Debt

At June 30, 2015, the School District had \$33,374,041 in debt outstanding. See Notes 14, 15 and 16 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
Loans Payable:		
HB264 Energy Conservation Loan	\$ 0	\$ 74,355
Energy Conservation Loan Phase #2	73,233	143,298
Energy Conservation Loan Phase #3	341,028	389,578
	414,261	607,231
General Obligation Bonds Payable:		
2013 School Improvement Bonds		
Serial and Term Bonds	28,300,000	28,300,000
Capital Appreciation Bonds	8,425	8,425
Accretion on Capital Appreciation Bond	7,636	2,689
Unamortized Premium	867,312	894,205
	29,183,373	29,205,319
Stark County Council of Governments Note	1,343,407	1,873,512
Tax Anticipation Notes Payable	0	441,150
Capital Leases Payable	2,433,000	2,562,000
<i>Total Debt</i>	\$ 33,374,041	\$ 34,689,212

Current Issues

Coventry Local School District was placed in fiscal watch May 15, 1997 by the Auditor of State. The designation of fiscal watch requires the School District to submit and update a financial recovery plan each year with the State Superintendent of Public Instruction. The School District remained in fiscal watch as of the end of fiscal year 2015.

The School District had a changeover of the treasurer and employed an interim treasurer for the fourth quarter of fiscal year 2015.

The School District incurred a general fund deficit in fiscal year 2015, as a result all of the School District's financial abilities will be needed to meet the challenges of the future.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,064,187
Investments in Segregated Accounts	14,056,318
Receivables:	
Accrued Interest	6,225
Intergovernmental	7,948,440
Property Taxes	12,900,974
Nondepreciable Capital Assets	9,993,655
Depreciable Capital Assets (Net)	14,123,420
 <i>Total Assets</i>	 60,093,219
 Deferred Outflows of Resources	
Pension	1,899,201
 Liabilities	
Accounts Payable	153,765
Accrued Wages and Benefits	2,897,656
Contracts Payable	1,445,472
Intergovernmental Payable	748,545
Retainage Payable	199,834
Accrued Vacation Leave Payable	86,008
Matured Compensated Absences Payable	13,651
Accrued Interest Payable	294,297
Long Term Liabilities:	
Due Within One Year	883,248
Due In More Than One Year:	
Net Pension Liability	26,083,889
Other Amonts Due in More Than One Year	33,753,005
<i>Total Liabilities</i>	66,559,370
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Fiscal Year	9,873,060
Pension	4,723,580
<i>Total Deferred Inflows of Resources</i>	14,596,640
 Net Position	
Net Investment in Capital Assets	5,738,994
Restricted For:	
Capital Outlay	8,096,461
Debt Service	720,229
Other Purposes	598,297
Unrestricted	(34,317,571)
 <i>Total Net Position</i>	 \$ (19,163,590)

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 9,604,491	\$ 4,829,553	\$ 374,750	\$ 0	\$ (4,400,188)
Special	2,770,660	209,408	930,143	0	(1,631,109)
Vocational	87,114	0	4,721	0	(82,393)
Other	1,142,327	0	0	0	(1,142,327)
Support Services:					
Pupils	982,781	0	33,589	0	(949,192)
Instructional Staff	136,955	8,775	32,076	0	(96,104)
Board of Education	53,226	0	0	0	(53,226)
Administration	1,775,195	0	26,423	0	(1,748,772)
Fiscal	579,971	0	0	0	(579,971)
Business	60,043	0	0	0	(60,043)
Operation and Maintenance of Plant	2,000,697	0	0	0	(2,000,697)
Pupil Transportation	1,367,913	0	123,868	450,000	(794,045)
Central	668,055	0	5,400	0	(662,655)
Operation of Non-Instructional Services:					
Food Service Operations	579,587	212,576	449,532	0	82,521
Community Services	303,927	0	330,801	0	26,874
Other	426,604	0	0	0	(426,604)
Extracurricular Activities	368,849	95,808	0	0	(273,041)
Debt Service:					
Interest and Fiscal Charges	1,610,947	0	0	0	(1,610,947)
Total	\$ 24,519,342	\$ 5,356,120	\$ 2,311,303	\$ 450,000	(16,401,919)

General Revenues

Property Taxes Levied for:

General Purposes	11,141,779
Debt Service	1,485,778
Capital Outlay	236,667
Classroom Facilities Maintenance	59,408
Grants and Entitlements Not Restricted to Specific Programs	5,467,759
Investment Earnings	30,843
Miscellaneous	381,296

Total General Revenues

18,803,530

Change in Net Position

2,401,611

Net Position Beginning of Year (Restated, See Note 2Q)

(21,565,201)

Net Position End of Year

\$ (19,163,590)

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 400,641	\$ 663,547	\$ 1,064,188
Investments in Segregated Accounts	0	14,056,318	0	14,056,318
Receivables:				
Accrued Interest	0	6,225	0	6,225
Interfund	247,975	810,230	854,995	1,913,200
Intergovernmental	258,285	7,220,235	469,920	7,948,440
Property Taxes	11,088,339	0	1,812,635	12,900,974
<i>Total Assets</i>	<u>\$ 11,594,599</u>	<u>\$ 22,493,649</u>	<u>\$ 3,801,097</u>	<u>\$ 37,889,345</u>
Liabilities				
Accounts Payable	\$ 135,913	\$ 0	\$ 17,852	\$ 153,765
Accrued Wages and Benefits	2,809,739	0	87,917	2,897,656
Contracts Payable	0	1,445,472	0	1,445,472
Intergovernmental Payable	725,811	0	22,734	748,545
Retainage Payable	0	199,834	0	199,834
Matured Compensated Absences Payable	13,651	0	0	13,651
Interfund Payable	1,665,225	0	247,975	1,913,200
<i>Total Liabilities</i>	<u>5,350,339</u>	<u>1,645,306</u>	<u>376,478</u>	<u>7,372,123</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Fiscal Year	8,498,451	0	1,374,609	9,873,060
Unavailable Revenue - Delinquent Property Taxes	685,722	0	112,101	797,823
Unavailable Revenue - Other	258,285	7,220,235	209,230	7,687,750
<i>Total Deferred Inflows of Resources</i>	<u>9,442,458</u>	<u>7,220,235</u>	<u>1,695,940</u>	<u>18,358,633</u>
Fund Balances				
Restricted	0	13,628,108	1,842,471	15,470,579
Committed	11,000	0	0	11,000
Unassigned	(3,209,198)	0	(113,792)	(3,322,990)
<i>Total Fund Balances</i>	<u>(3,198,198)</u>	<u>13,628,108</u>	<u>1,728,679</u>	<u>12,158,589</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 11,594,599</u>	<u>\$ 22,493,649</u>	<u>\$ 3,801,097</u>	<u>\$ 37,889,345</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 12,158,589
 <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.		24,117,075
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 797,823	
Charges for Services	258,285	
Intergovernmental	7,429,464	8,485,572
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	1,899,201	
Deferred Inflows - Pension	(4,723,580)	
Net Pension Liability	(26,083,889)	(28,908,268)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported at maturity.		(294,297)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(28,300,000)	
Capital Appreciation Bonds	(8,425)	
Accretion on Capital Appreciation Bonds	(7,636)	
Loans Payable	(414,261)	
Bond Premium	(867,312)	
Capital Leases	(2,433,000)	
Stark County COG Liability	(1,343,407)	
Accrued Vacation Payable	(86,008)	
Compensated Absences	(1,262,212)	(34,722,261)
 <i>Net Position of Governmental Activities</i>		 \$ (19,163,590)

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 11,006,279	\$ 0	\$ 1,751,143	\$ 12,757,422
Intergovernmental	5,912,779	1,135,681	1,769,631	8,818,091
Investment Income	203	30,640	0	30,843
Tuition and Fees	5,047,659	0	3,000	5,050,659
Extracurricular Activities	73,391	0	57,592	130,983
Rentals	6,400	0	0	6,400
Charges for Services	2,602	0	212,576	215,178
Contributions and Donations	0	0	17,192	17,192
Miscellaneous	346,142	0	39,910	386,052
<i>Total Revenues</i>	<u>22,395,455</u>	<u>1,166,321</u>	<u>3,851,044</u>	<u>27,412,820</u>
Expenditures				
Current:				
Instruction:				
Regular	9,499,941	0	52,399	9,552,340
Special	1,984,380	0	804,125	2,788,505
Vocational	88,385	0	0	88,385
Other	1,142,327	0	0	1,142,327
Support Services:				
Pupils	959,058	0	37,710	996,768
Instructional Staff	144,093	0	25,398	169,491
Board of Education	53,741	0	0	53,741
Administration	1,744,629	0	31,653	1,776,282
Fiscal	575,061	0	32,268	607,329
Business	60,043	0	0	60,043
Operation and Maintenance of Plant	2,243,500	0	9,280	2,252,780
Pupil Transportation	1,358,249	0	11,103	1,369,352
Central	631,224	0	5,400	636,624
Extracurricular Activities	311,551	0	53,864	365,415
Operation of Non-Instructional Services:				
Food Service Operations	0	0	579,436	579,436
Community Services	29,531	0	259,555	289,086
Other	344,310	0	93,263	437,573
Capital Outlay	810,230	9,127,467	2,698,740	12,636,437
Debt Service:				
Principal Retirement	787,075	0	65,000	852,075
Interest and Fiscal Charges	114,608	0	1,525,573	1,640,181
<i>Total Expenditures</i>	<u>22,881,936</u>	<u>9,127,467</u>	<u>6,284,767</u>	<u>38,294,170</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(486,481)</u>	<u>(7,961,146)</u>	<u>(2,433,723)</u>	<u>(10,881,350)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	16,780	16,780
Transfers Out	(16,780)	0	0	(16,780)
<i>Total Other Financing Sources (Uses)</i>	<u>(16,780)</u>	<u>0</u>	<u>16,780</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(503,261)	(7,961,146)	(2,416,943)	(10,881,350)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(2,694,937)</u>	<u>21,589,254</u>	<u>4,145,622</u>	<u>23,039,939</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (3,198,198)</u>	<u>\$ 13,628,108</u>	<u>\$ 1,728,679</u>	<u>\$ 12,158,589</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		\$ (10,881,350)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 13,337,020	
Current Year Depreciation	<u>(325,093)</u>	13,011,927
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	161,454	
Charges for Services	(46,699)	
Intergovernmental	<u>(1,056,623)</u>	(941,868)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		852,075
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,653,104
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,196,446)
 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	7,288	
Amortization of Premium on Bonds	<u>26,893</u>	34,181
 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	(81,802)	
Accrued Vacation Payable	<u>(43,263)</u>	(125,065)
 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>(4,947)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ 2,401,611</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 10,295,613	\$ 10,413,690	\$ 10,480,115	\$ 66,425
Intergovernmental	5,861,229	5,928,449	5,966,265	37,816
Investment Income	199	202	203	1
Tuition and Fees	4,869,317	4,925,161	4,956,577	31,416
Extracurricular Activities	37,543	37,974	38,216	242
Rentals	5,895	5,962	6,000	38
Charges for Services	2,556	2,585	2,602	17
Miscellaneous	290,302	293,631	295,504	1,873
<i>Total Revenues</i>	<u>21,362,654</u>	<u>21,607,654</u>	<u>21,745,482</u>	<u>137,828</u>
Expenditures				
Current:				
Instruction:				
Regular	8,160,997	8,559,275	8,796,183	(236,908)
Special	1,923,125	2,016,979	2,072,806	(55,827)
Vocational	75,078	78,742	80,921	(2,179)
Other	1,060,684	1,112,448	1,143,239	(30,791)
Support Services:				
Pupils	868,690	911,085	936,302	(25,217)
Instructional Staff	147,763	154,975	159,264	(4,289)
Board of Education	37,220	39,037	40,117	(1,080)
Administration	1,517,571	1,591,632	1,635,686	(44,054)
Fiscal	554,846	581,924	598,031	(16,107)
Business	45,398	47,613	48,931	(1,318)
Operation and Maintenance of Plant	2,079,777	2,181,275	2,241,650	(60,375)
Pupil Transportation	1,222,101	1,281,742	1,317,219	(35,477)
Central	575,310	603,387	620,088	(16,701)
Extracurricular Activities	288,504	302,584	310,959	(8,375)
Operation of Non-Instructional Services:				
Community Services	356,907	374,325	384,686	(10,361)
Capital Outlay	751,722	788,408	810,230	(21,822)
Debt Service:				
Principal Retirement	1,139,533	1,195,145	1,228,225	(33,080)
Interest and Fiscal Charges	107,331	112,569	115,685	(3,116)
<i>Total Expenditures</i>	<u>20,912,557</u>	<u>21,933,145</u>	<u>22,540,222</u>	<u>(607,077)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>450,097</u>	<u>(325,491)</u>	<u>(794,740)</u>	<u>(469,249)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	0	0
Proceeds of Notes	0	0	0	0
Proceeds of Notes	0	0	0	0
Refund of Prior Year Expenditures	46,224	46,754	47,052	298
Other Financing Uses	0	0	0	0
Advances In	0	0	0	0
Transfers In	0	0	0	0
Advances Out	(230,068)	(241,296)	(247,975)	(6,679)
Transfers Out	(15,568)	(16,328)	(16,780)	(452)
<i>Total Other Financing Sources (Uses)</i>	<u>(199,412)</u>	<u>(210,870)</u>	<u>(217,703)</u>	<u>(6,833)</u>
<i>Net Change in Fund Balance</i>	250,685	(536,361)	(1,012,443)	(476,082)
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,176,369)	(1,176,369)	(1,176,369)	0
Prior Year Encumbrances Appropriated	212	212	212	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (925,472)</u>	<u>\$ (1,712,518)</u>	<u>\$ (2,188,600)</u>	<u>\$ (476,082)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 21,831	\$ 105,378
Investments in Segregated Accounts	132,069	0
	153,900	\$ 105,378
<i>Total Assets</i>	153,900	\$ 105,378
 Liabilities		
Due to Students		\$ 105,378
 Net Position		
Held in Trust for Scholarships	\$ 153,900	

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 13,841
Investment Earnings	423
	14,264
<i>Total Additions</i>	<i>14,264</i>
Deductions	
Payments in Accordance with Trust Agreements	24,260
<i>Change in Net Position</i>	<i>(9,996)</i>
<i>Net Position Beginning of Year</i>	<i>163,896</i>
<i>Net Position End of Year</i>	<i>\$ 153,900</i>

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District

Coventry Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies.

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

Reporting Entity

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

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

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

C. Measurement Focus

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

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

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

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.

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

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

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

Deferred 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, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow 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.

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

E. Cash and 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 "Investments in Segregated Accounts" which is for the classroom facilities fund.

During fiscal year 2015, investments were limited to government securities, commercial paper, money market fund, donated stocks and certificates of deposit.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings (including fair market value adjustments for investments). For the fiscal year 2015, the School District reported a total of \$203 interest revenue in the General Fund, all which was assigned from other School District funds.

F. Restricted Assets

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

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

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

H. Compensated Absences

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

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

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.

J. Accrued Liabilities and Long-term Obligations

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

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

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, 2015, 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.

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.

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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 2015.

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.

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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 2015.

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, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

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GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$	7,799,725
Adjustments:		
Net Pension Liability		(30,998,233)
Deferred Outflow - Payments Subsequent to Measurement Date		<u>1,633,307</u>
Restated Net Position, July 1, 2014	\$	<u>(21,565,201)</u>

Note 3 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2015 included the following individual fund deficits:

		<u>Deficit Fund Balance</u>
<i>Major Governmental Funds:</i>		
General Fund		\$3,198,198
<i>Nonmajor Governmental Fund:</i>		
Title VI-B		113,792

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

B. Compliance

Contrary to Ohio Revised Code Section 5705.39, the general fund had original appropriations in excess of estimated resources in the amount of \$925,472.

Contrary to Ohio Revised Code Section 5705.39, the general fund had final appropriations in excess of estimated resources in the amount of \$1,712,518.

Contrary to Ohio Revised Code Section 5705.41(B), general fund expenditures plus encumbrances exceeded final appropriations by \$614,208.

Contrary to Ohio Revised Code Section 5705.10(H), the general fund had a negative cash fund balance of \$1,823,958 at June 30, 2015, prior to adjustments for accounting principles generally accepted in the United States of America (“GAAP”).

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Note 4 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget 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	\$	(503,261)
Net Adjustment for Revenue Accruals		(472,679)
Net Adjustment for Expenditure Accruals		306,293
Funds Budgeted Elsewhere		21,844
Adjustment for Encumbrances		<u>(364,640)</u>
 Budget Basis	 \$	 <u><u>(1,012,443)</u></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.

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

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

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

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

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

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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 2015, the School District and public depositories complied with the provisions of these statutes.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,287,649 and the bank balance was \$1,610,629. Of the bank balance:

1. \$311,397 was covered by depository insurance; and
2. \$1,299,232 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments - Investments are reported at fair value. As of June 30, 2015, the School District had the following investments:

Standard & Poor's Rating		Fair Value	Investment Maturities (in months) 0 - 12	% Total Investments
N/A	First American Governmental Money Market	\$ 5,661	\$ 5,661	0.04%
N/A	Stocks	35,816	35,816	0.25%
A-1+	Commercial Paper	2,995,980	2,995,980	21.27%
AA+	US Treasury Notes	755,355	755,355	5.36%
AA+	Federal Home Loan Bank	3,541,184	3,541,184	25.13%
AA+	Federal Home Loan Mortgage	675,466	675,466	4.79%
AA+	Federal Farm Credit Bank	2,485,508	2,485,508	17.64%
AA+	Federal Farm Credit Bank Notes	1,597,184	1,597,184	11.33%
AA+	Federal Home Loan Bank Notes	1,999,980	1,999,980	14.19%
Totals		<u>\$ 14,092,134</u>	<u>\$ 14,092,134</u>	<u>100.00%</u>

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

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

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District's taxing district. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$1,904,166 in the general fund, \$273,310 in the bond retirement fund and \$52,615 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014, was \$1,378,002 in the general fund, \$168,500 in the bond retirement fund and \$37,673 in the permanent improvement fund. 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.

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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 282,441,290	97%	\$ 280,187,910	97%
Public Utility Personal Property	8,068,130	3%	8,727,990	3%
Total	\$ 290,509,420	100%	\$ 288,915,900	100%
 Full Tax Rate per \$1,000 of assessed valuation	 \$ 79.34		 \$ 73.42	

Note 7 – Interfund Activity

A. Interfund Balances

Interfund balances at June 30, 2015 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 247,975	\$ 1,665,225
Classroom Facilities Fund	810,230	0
<i>Nonmajor Governmental Funds:</i>		
Bond Retirement	351,882	0
Building Fund	275,342	0
Food Service Operations	197,226	0
District Managed Activities	30,545	0
Miscellaneous State Grants Fund	0	22,525
IDEA - Part B Fund	0	79,650
Title I - Disadvantaged Children Fund	0	143,200
Improving Teacher Quality	0	2,600
 Total	 \$ 1,913,200	 \$ 1,913,200

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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, 2015 are reported on the Statement of Net Position.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

	Transfers Out	Transfers In
General Fund	\$ 16,780	\$ 0
<i>Nonmajor Governmental Funds:</i>		
Building Fund	0	900
Miscellaneous State Grants	0	8
IDEA - Part B	0	400
Race to the Top	0	15,472
Total	\$ 16,780	\$ 16,780

Note 8 - Receivables

Receivables at June 30, 2015 consisted of property taxes, interfund, accrued interest and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/14	Additions	Reductions	Balance 6/30/15
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 679,076	\$ 0	\$ 0	\$ 679,076
Construction in Progress	6,447,553	13,231,149	(10,364,123)	9,314,579
<i>Total Capital Assets, not being depreciated</i>	<u>7,126,629</u>	<u>13,231,149</u>	<u>(10,364,123)</u>	<u>9,993,655</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	10,432,566	10,418,504	0	20,851,070
Furniture and Equipment	2,064,156	51,490	(4,284)	2,111,362
Vehicles	603,067	0	0	603,067
<i>Total Capital Assets, being depreciated</i>	<u>13,099,789</u>	<u>10,469,994</u>	<u>(4,284)</u>	<u>23,565,499</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,714,345)	(226,686)	0	(6,941,031)
Furniture and Equipment	(1,864,533)	(78,435)	4,284	(1,938,684)
Vehicles	(542,392)	(19,972)	0	(562,364)
<i>Total Accumulated Depreciation</i>	<u>(9,121,270)</u>	<u>(325,093)</u>	<u>4,284</u>	<u>(9,442,079)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>3,978,519</u>	<u>10,144,901</u>	<u>0</u>	<u>14,123,420</u>
<i>Governmental Capital Assets, net</i>	<u>\$ 11,105,148</u>	<u>\$ 23,376,050</u>	<u>\$ (10,364,123)</u>	<u>\$ 24,117,075</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 227,600
Special	16,161
Support Services:	
Pupils	1,260
Instructional Staff	22,246
Administration	1,437
Fiscal	349
Operation and Maintenance of Plant	13,982
Pupil Transportation	14,388
Central	2,549
Operation of Non-Instructional Services:	
Food Service Operations	6,603
Community Services	8,933
Extracurricular	9,585
Total Depreciation Expense	<u><u>\$ 325,093</u></u>

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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 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

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.

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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

Net Pension Liability

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.

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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 years of service; 2.2 percent for the first thirty 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$427,488 for fiscal year 2015. Of this amount \$58,715 is reported as an intergovernmental payable.

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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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,225,616 for fiscal year 2015. Of this amount \$197,620 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 21,589,012	\$ 4,494,877	\$ 26,083,889
Proportion of the Net Pension Liability	0.08875798%	0.08881500%	
Pension Expense	\$ 882,944	\$ 313,502	\$ 1,196,446

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 207,841	\$ 38,256	\$ 246,097
School District contributions subsequent to the measurement date	<u>1,225,616</u>	<u>427,488</u>	<u>1,653,104</u>
Total Deferred Outflows of Resources	<u>\$ 1,433,457</u>	<u>\$ 465,744</u>	<u>\$ 1,899,201</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 3,994,049</u>	<u>\$ 729,531</u>	<u>\$ 4,723,580</u>

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\$1,653,104 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (946,552)	\$ (172,819)	\$ (1,119,371)
2017	(946,552)	(172,819)	(1,119,371)
2018	(946,552)	(172,819)	(1,119,371)
2019	(946,552)	(172,818)	(1,119,370)
	\$ (3,786,208)	\$ (691,275)	\$ (4,477,483)

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.

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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 earning were calculated using the long-term assumed investment rate of return (7.75 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 net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 6,412,853	\$ 4,494,877	\$ 2,881,693

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Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
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 paid on fifth anniversary of retirement date

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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014.

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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, 2014.

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 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 30,907,025	\$ 21,589,012	\$ 13,709,109

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 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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.

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The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$72,096, \$47,519 and \$45,775, respectively. For fiscal year 2015, 87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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 year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$94,186, and \$95,820, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 14 - Notes Payable

Note activity for the year ended June 30, 2015, consisted of the following:

Tax Anticipation Notes

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

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Long - Term Obligations

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

	Restated Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Governmental Activities					
<i>Loans Payable:</i>					
HB264 Energy Conservation Loan, 4.43%, Due 03/15/2015	\$ 74,355	\$ 0	\$ 74,355	\$ 0	\$ 0
Energy Conservation Loan Phase #2, 4.43%, Due 10/15/2015	143,298	0	70,065	73,233	73,233
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	389,578	0	48,550	341,028	50,745
<i>Total Loans Payable</i>	<u>607,231</u>	<u>0</u>	<u>192,970</u>	<u>414,261</u>	<u>123,978</u>
<i>General Obligation Bonds Payable:</i>					
2013 School Improvement Bonds, 3.00%-5.25% Due 11/1/2047	28,300,000	0	0	28,300,000	5,000
Capital Appreciation Bonds	8,425	0	0	8,425	0
Accretion on Capital Appreciation Bonds	2,689	4,947	0	7,636	0
Unamortized Premium on Bonds	894,205	0	26,893	867,312	0
<i>Total Bonds Payable</i>	<u>29,205,319</u>	<u>4,947</u>	<u>26,893</u>	<u>29,183,373</u>	<u>5,000</u>
<i>Long-Term Note Payable:</i>					
Stark County Schools Council of Governments	1,873,512	0	530,105	1,343,407	533,422
<i>Net Pension Liability:</i>					
STRS	25,716,690	0	4,127,678	21,589,012	0
SERS	5,281,543	0	786,666	4,494,877	0
<i>Total Net Pension Liability</i>	<u>30,998,233</u>	<u>0</u>	<u>4,914,344</u>	<u>26,083,889</u>	<u>0</u>
<i>Other Long-Term Liabilities</i>					
Capital Leases	2,562,000	0	129,000	2,433,000	137,000
Compensated Absences	1,180,410	113,606	31,804	1,262,212	83,848
<i>Total Other Long-Term Liabilities</i>	<u>3,742,410</u>	<u>113,606</u>	<u>160,804</u>	<u>3,695,212</u>	<u>220,848</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 66,426,705</u>	<u>\$ 118,553</u>	<u>\$ 5,825,116</u>	<u>\$ 60,720,142</u>	<u>\$ 883,248</u>

Loans Payable

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

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

General Obligation Bonds Payable

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

On October 16, 2013, the School District issued school improvement bonds in the amount of \$28,308,425 for the School District's local share of the construction of a new high school as well and furnishing, equipping and otherwise improving School District buildings and facilities. These bonds were issued with a premium of \$914,375, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method. The amortization for June 30, 2015 was \$28,893. 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.

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 2015, \$4,947 was accreted for a liability of \$16,061.

Long-Term Note Payable

On April 1, 2012, the School District entered into an agreement to join the Stark County Schools Council of Governments Health Benefit Plan (the Council). Within the agreement, the Council has deferred health insurance premiums for April, May, June and July of 2012 with the School District agreeing to repay in total the amount of \$1,233,876. The total amount that was due at June 30, 2012 was \$1,018,876. In fiscal year 2013, \$215,000, the premium for January 2013, was added to the total liability and in fiscal year 2014, \$1,143,568, the premium for March through June 2014 was added. After payments made in fiscal year 2015, the amount currently due is \$1,343,407. The School District will continue to make principal payments bi-annually in fiscal years 2016 and 2017. Interest is accrued monthly at the rate of 0.88 percent. The rate will be reviewed annually by the Council and is variable.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The energy conservation loans and the Stark County Schools Council of Governments note will be paid from the general fund. The school improvement bonds will be paid from the bond retirement fund. The compensated absences will be paid from the funds which the employees' salaries are paid. In prior years this has primarily been paid by the general fund. Capital leases will be paid from the general fund. 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, 2015 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		Energy Conservation Loans		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Accretion
2016	\$ 5,000	\$ 1,424,700	\$ 123,978	\$ 18,729	\$ 0	\$ 0
2017	5,000	1,424,549	53,039	13,124	0	0
2018	5,000	1,424,399	55,437	10,726	0	0
2019	105,000	1,421,700	57,943	8,220	0	0
2020	130,000	1,415,824	60,563	5,600	0	0
2021 - 2025	1,460,000	6,911,125	63,301	2,862	0	0
2026 - 2030	950,000	6,508,375	0	0	7,741	1,897,259
2031 - 2035	3,990,000	6,075,895	0	0	684	369,316
2036 - 2040	6,390,000	4,804,332	0	0	0	0
2041 - 2045	8,785,000	2,882,632	0	0	0	0
2046 - 2048	6,475,000	521,457	0	0	0	0
Total	\$ 28,300,000	\$ 34,814,988	\$ 414,261	\$ 59,261	\$ 8,425	\$ 2,266,575

Fiscal Year Ending June 30,	Stark County Schools Council of Governments Note		Total	
	Principal	Interest	Principal	Interest/ Accretion
2016	\$ 533,422	\$ 6,578	\$ 662,400	\$ 1,450,007
2017	538,767	3,233	596,806	1,440,906
2018	271,218	282	331,655	1,435,407
2019	0	0	162,943	1,429,920
2020	0	0	190,563	1,421,424
2021 - 2025	0	0	1,523,301	6,913,987
2026 - 2030	0	0	957,741	8,405,634
2031 - 2035	0	0	3,990,684	6,445,211
2036 - 2040	0	0	6,390,000	4,804,332
2041 - 2045	0	0	8,785,000	2,882,632
2046 - 2048	0	0	6,475,000	521,457
Total	\$ 1,343,407	\$ 10,093	\$ 30,066,093	\$ 37,150,917

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 16 - Capitalized Leases

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

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

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

As of June 30, 2015, \$1,500,000 of capital assets acquired by lease have been capitalized as buildings and improvements. Payments will be made on the lease from the building fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of minimum lease payments as of June 30, 2015:

	Modular Units	Ohio School Building	Total
Fiscal Year Ending June 30, 2016	\$ 121,370	\$ 133,853	\$ 255,223
2017	121,140	131,403	252,543
2018	120,766	133,678	254,444
2019	120,248	130,678	250,926
2020	119,584	132,338	251,922
2021 - 2025	589,576	657,054	1,246,630
2026 - 2029	346,898	531,151	878,049
Total	1,539,582	1,850,155	3,389,737
Less: Amount Representing Interest	411,582	545,155	956,737
Present Value of Net Minimum Lease Payments	\$ 1,128,000	\$ 1,305,000	\$ 2,433,000

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the fiscal agent, located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2015 the School District paid \$183,005 to NEONET for basic service charges.

Portage Lakes Career Center

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

Note 18 - Public Entity Risk Pool

Risk Sharing Pool

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

Note 19 - Statutory Reserves

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2014	\$ 0
Current Year Set-aside Requirement	384,178
Offset from Bond Proceeds	(384,178)
Totals	\$ 0
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set-aside Restricted Balance as of June 30, 2015	\$ 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, 2015 was \$27,955,288.

Note 20 - Fund Balance

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

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

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	0	858,460	\$ 858,460
Capital Outlay	0	13,628,108	460,742	14,088,850
Other Purposes	0	0	523,269	523,269
Total Restricted	0	13,628,108	1,842,471	15,470,579
Committed for:				
Underground Storage Tank	11,000	0	0	11,000
Unassigned	(3,209,198)	0	(113,792)	(3,322,990)
<i>Total Fund Balance (Deficit)</i>	\$ (3,198,198)	\$ 13,628,108	\$ 1,728,679	\$ 12,158,589

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 21 - Contingencies and Significant Commitments

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

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 Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or 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	\$ 128,831
Nonmajor Governmental Funds	32,499
Total	\$ 161,330

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

E. Contractual Commitments

As of June 30, 2015, the School District had contractual commitments as follows:

	Contractual Commitment	Expended	Balance 6/30/2015
New High School	\$ 28,996,224	\$ 5,567,914	\$ 23,428,310

Note 22 - 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 is currently being developed. In January 2016, the Board of Education approved a request for an advance from the State of Ohio's School District Solvency Assistance Fund.

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

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability	0.08875798%	0.08875798%
School District's proportionate share of the net pension liability	\$ 21,589,012	\$ 25,716,690
School District's covered-employee payroll	\$ 9,418,569	\$ 9,581,962
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.22%	268.39%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability	0.08881500%	0.08881500%
School District's proportionate share of the net pension liability	\$ 4,494,877	\$ 5,281,543
School District's covered-employee payroll	\$ 2,950,166	\$ 2,710,896
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	152.36%	194.83%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,225,616	\$ 1,224,414	\$ 1,245,655	\$ 1,251,962
Contributions in Relation to the Contractually Required Contribution	<u>(1,225,616)</u>	<u>(1,224,414)</u>	<u>(1,245,655)</u>	<u>(1,251,962)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 8,754,400	\$ 9,418,569	\$ 9,581,962	\$ 9,630,477
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 427,488	\$ 408,893	\$ 375,188	\$ 365,986
Contributions in relation to the contractually required contribution	<u>(427,488)</u>	<u>(408,893)</u>	<u>(375,188)</u>	<u>(365,986)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 3,243,460	\$ 2,950,166	\$ 2,710,896	\$ 2,721,086
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,204,186	\$ 1,176,589	\$ 1,225,226	\$ 1,116,941	\$ 1,230,123	\$ 1,180,743
<u>(1,204,186)</u>	<u>(1,176,589)</u>	<u>(1,225,226)</u>	<u>(1,116,941)</u>	<u>(1,230,123)</u>	<u>(1,180,743)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 9,262,969	\$ 9,050,685	\$ 9,424,815	\$ 8,591,854	\$ 9,462,485	\$ 9,082,638
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 388,330	\$ 413,605	\$ 294,678	\$ 265,848	n/a	n/a
<u>(388,330)</u>	<u>(413,605)</u>	<u>(294,678)</u>	<u>(265,848)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 3,089,340	\$ 3,054,690	\$ 2,994,695	\$ 2,707,210	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>			
<u>Passed through Ohio Department of Education</u>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	\$ 74,738	\$ 0
National School Lunch Program	10.555	315,560	49,609
Total U.S. Department of Agriculture		<u>390,298</u>	<u>49,609</u>
<u>U.S. Department of Education</u>			
<u>Passed through Ohio Department of Education</u>			
Title I, Part A Cluster:			
Title I-Grants to Local Educational Agencies	84.010	473,220	0
Total Title I, Part A Cluster		<u>473,220</u>	<u>0</u>
Special Education Cluster:			
Special Education - Grants to States, IDEA, Part B	84.027	488,841	0
Total Special Education Cluster		<u>488,841</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	42,399	0
ARRA - Race to the Top	84.395	24,590	0
Total U.S. Department of Education		<u>1,029,050</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,419,348</u>	<u>\$ 49,609</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

NOTE 3: CHILD NUTRITION CLUSTER

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

NOTE 4: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2014 to 2015 programs with ODE consent.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2014 to 2015</u>
Title I	84.010	\$ 20,965
Special Education IDEA - Part B	84.027	\$ 15,220

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

Board of Education
Coventry Local School District
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Coventry Local School District, Ohio's basic financial statements and have issued our report thereon dated March 18, 2016, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at July 1, 2014. We also noted that the District was placed in fiscal emergency.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Coventry Local School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coventry Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coventry Local School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we consider the deficiencies in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. See **Finding 2015-002, Finding 2015-003, Finding 2015-004, and Finding 2015-005.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coventry Local School District, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2015-001, Finding 2015-006, and Finding 2015-007.**

Coventry Local School District, Ohio's Response to Findings

Coventry Local School District, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Coventry Local School District, Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coventry Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
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o=James G. Zupka, CPA, Inc., ou=Accounting,
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Date: 2016.03.31 12:34:20 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 18, 2016

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Education
Coventry Local School District
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Coventry Local School District, Summit County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Coventry Local School District, Ohio's major federal programs for the year ended June 30, 2015. The Coventry Local School District, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Coventry Local School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Coventry Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Coventry Local School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Coventry Local School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Coventry Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coventry Local School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coventry Local School District, Ohio's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

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March 18, 2016

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS?)	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Program's Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Title I, Part A Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 Special Education Cluster: Special Education - Grants to States, IDEA, Part B - CFDA #84.027	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2015(ix)	Low Risk Auditee?	No

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)**

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

Finding 2015-001 - Material Noncompliance - Negative Cash Fund Balances

Statement of Condition

During our review, we noted that the District's General Fund had an original negative cash fund balance, prior to audit adjustments, of \$1,823,958 at June 30, 2015.

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

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

Cause/Effect

The negative cash fund balances are a result of inaccurate budgeting, expenditures exceeding appropriations, and lack of fiscal oversight. The effect of this is the District entering Fiscal Emergency.

Recommendation

We recommend that the District more closely monitor all cash and fund activity to prevent future fund deficits. In those cases where additional funds are required to avoid a cash fund deficit, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code. We also recommend that the District more effectively budget and ensure that expenditures do not exceed appropriations.

Client Response

The District will implement the above recommendations.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)

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

Finding 2015-002 - Material Weakness - Capital Assets

Statement of Condition

During our testing of capital assets, we noted the following:

1. A tractor located at the middle school was in possession by the District but not recorded on the capital asset listing or given a tag number. This asset was fully depreciated at June 30, 2015.
2. A Bretford IPAD cart was added to the capital asset listing; however, the amount was capitalized incorrectly. It was added with a cost of \$1,700 and, upon review of the invoice, it should have a cost of \$2,300.
3. A football passing machine with a cost of \$2,195 and remaining book value of \$274 is no longer owned by the District but still appears on the capital asset list.
4. An elliptical cross-trainer with a cost of \$2,620 and a remaining book value of \$502 is no longer owned by the District but still appears on the capital asset list.
5. The District no longer operates its own bus system, as the District sold 7 of its 11 busses they had in the fleet years ago. All of the busses that were disposed of are still on the asset listing with a total cost of \$247,685. All of the disposed busses were fully depreciated when disposed. Currently, the District does not have a formal disposal policy.

Cause/Effect

The capital asset listing has not been updated for a few years. The result of this is having inaccurate capital asset data presented on the financial statements and within the District's accounting system and could cause the District to purchase new assets unnecessarily. It could also make it difficult for the District to plan its long-term capital asset needs.

Recommendation

We recommend the District re-evaluate its Capital Asset listing to determine which assets on this list are still in possession of the District and remove those from the listing that are not. We also recommend that the District re-evaluate the useful lives of assets deemed still in possession of the District. In addition, the District should annually review its tagging of the assets to make sure tags are up to date and still properly located on the asset. We also recommend that the District formalize a disposal policy in order to track disposed assets properly. The District should take due care in posting to the capital asset journal in order to ensure accuracy of amounts and description of items.

Client Response

The District will implement the above recommendations.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)

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

Finding 2015-003 - Material Weakness - Cash Reconciliations

Statement of Condition

Bank reconciliations are performed as a means of accounting for the differences between the balances on the bank statements and the cash and investment balances according to the District's records at a specific point in time. The performance of accurate bank reconciliations is a necessary step in the internal control process over financial reporting.

During our review, we noted that the month-end bank to book reconciliations performed by the Treasurer and presented to the Board on a monthly basis were not accurate.

In order to help correct this issue, the Treasurer contracted with the Auditor of State's Local Government Services Division to assist with the reconciliation process throughout fiscal years 2013, 2014, and 2015. The following significant issues were noted during the testing of the final June 30, 2015 year end bank reconciliation:

1. An unidentifiable payroll reconciliation difference of (\$9,138).
2. An unidentifiable system adjustment not in December's activity totaling (\$1,542).
3. Several pension posting error reconciling items totaling \$59,816 dating from July 2014 through June 2015.
4. A withdrawal of funds by Chevron in January 2015 totaling (\$274,293) to close the account and was not posted in the books.
5. Fiscal year 2014 reconciliation adjustment totaling \$12,302, which should not have been posted to the books.
6. Other miscellaneous reconciling items totaling \$5,474.
7. Reconciling items are not corrected timely as some adjustments on the bank reconciliation trace back to July 2014.

Ultimately, the bank balances were reconciled to the book balance.

In addition, we could not confirm the bank balance of the District's Wells Fargo-Longworth Scholarship account which, on the year end reconciliation, totaled \$35,815.84, due to the Treasurer not being placed on the account as an authorized user with access to the account.

The bank reconciliation process provides an independent verification of the accuracy of the accounting records and must be completed before preparing the financial statements. Performance of accurate bank reconciliations confirms the amount of money the District has available and are a necessary part of the internal controls of the District, particularly in terms of identifying recording errors and fraud.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)**

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

Finding 2015-003 - Material Weakness - Cash Reconciliations (Continued)

Cause/Effect

By not accurately reconciling accounts on a timely basis, errors or other problems might not be recognized or resolved and could result in negative cash balances.

Recommendation

We recommend that bank reconciliations be performed each month by the Treasurer and those reconciliations be reviewed for accuracy by Board members and/or the Superintendent and signed by these individuals to indicate their review and approval. When completed, these bank reconciliations should be presented to the entire Board for review and approval. We also recommend that the current Treasurer become an authorized user of the Wells Fargo-Longworth Scholarship account in order to have access to its financial activity on behalf of the District.

Client Response

The District will implement the above recommendations.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)

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

Finding 2015-004 - Material Weakness - Receipt Mispostings

Statement of Condition

The following receipts were inaccurately posted to the District's accounting system and were subsequently adjusted on the financial statements by the GAAP compilers:

1. Real estate taxes for the 2nd half of 2014 collections were posted at net instead of gross, resulting in an understatement of both revenue and expenses of \$79,018, \$9,391, and \$2,100 in the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund, respectively.
2. Real estate taxes for the 1st half of 2015 collections were posted incorrectly, resulting in an overstatement of revenue of \$53,777, \$6,149, and \$1,444 in the General Fund, Bond Retirement Fund, and Permanent Improvement Fund, respectively.
3. Trailer tax for the 1st half of 2015 collections was not posted to the books, resulting in an understatement of revenue of \$6,550.

Cause/ Effect

Improper posting of receipts could lead to the financial statements being materially misstated if not corrected.

Recommendation

To enhance accountability controls over receipt postings, we recommend that the District record real estate tax receipts at the gross amount presented by the County Fiscal Officer and record a corresponding expenditure for the fees rather than posting the amounts net. We also recommend that the District review amounts posted to the property tax accounts to help ensure that only property tax receipts from the County Fiscal Officer are included in the property tax accounts. In addition, we recommend that the District exercise due diligence in recording receipts so that all receipts are posted to the District's books.

Client Response

The District will implement the above recommendations.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)

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

Finding 2015-005 - Material Weakness - Reduction of Expenditures

Statement of Condition

The District recorded reductions of expenditure transactions totaling a net value of \$1,550,672 within its accounting system during fiscal year 2015, evidencing an over reliance on this type of entry to post transactions that should be recorded as regular expenditures, transfers, or other types of entries, as outlined in the Uniform School Accounting System Guide.

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

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

1. General Fund expenses of \$22,718 for cabinet installation at the middle school were reclassified into the Building Fund.
2. School fees paid by students for online learning were netted against the District's previously paid online subscription costs.
3. Tutor's salary of \$153,457 was posted as a reduction of expenditure charge.

Cause/Effect

Expenditures were incorrectly posted to the system and the proper application for reducing expenditure transactions was not followed. This resulted in inaccurate revenue and expense system reports and the potential for inaccurate financial statements.

Recommendation

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

Client Response

The District will implement the above recommendation.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)

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

Finding 2015-006 - Material Noncompliance - Expenditures Exceeding Appropriations

Statement of Condition

Ohio Revised Code §5705.41(B) prohibits school districts from expending money unless it has been appropriated. During our review, we noted the following fund had expenditures plus encumbrances exceeding appropriations for the fiscal year ended June 30, 2015:

	Final	Total	
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 22,190,769	\$ 22,804,977	\$ (614,208)

Cause/Effect

By having a fund in which expenditures plus encumbrances exceed appropriations, the District is not in compliance with Ohio Revised Code §5705.41(B).

Recommendation

We recommend that the District not expend monies unless it has been appropriated, per Ohio Revised Code §5705.41(B).

Client Response

The District will implement the above recommendation.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015
(CONTINUED)

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

Finding 2015-007 - Material Noncompliance - Appropriations Exceed Estimated Resources

Statement of Condition

Ohio Revised Code §5705.39 prohibits appropriations from each fund exceeding the total of the estimated resources.

Cause/Effect

As of June 30, 2015, the following funds had appropriations exceeding estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>Original Budget</i>			
General Fund	\$ 20,232,509	\$ 21,157,981	\$ (925,472)
<i>Final Budget</i>			
General Fund	\$ 20,478,039	\$ 22,190,557	\$ (1,712,518)

Recommendation

We recommend that the District take the necessary steps to assist in preparation of future budgets, which will help ensure the District is in compliance with the above section of the Ohio Revised Code.

Client Response

The District will implement the above recommendation.

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

None.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015**

Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
2014-001	Negative Fund Cash Balances	No	Not corrected. See Finding 2015-001.
2014-002	Cash Reconciliations	No	Not corrected. See Finding 2015-003.
2014-003	Receipts Misposting	No	Not corrected. See Finding 2015-004.
2014-004	Reduction of Expenditures	No	Not corrected. See Finding 2015-005.
2014-005	Transfers	Yes	
2014-006	Federal Title I Questioned Costs - Allowable Costs/Cost Principles	Yes	
2014-007	Federal Time and Effort Records - Allowable Costs/Cost Principles	Yes	
2014-008	Federal Special Education Questioned Costs - Allowable Costs/Cost Principles	Yes	
2014-009	SEFA Receipts and Expenditures	Yes	
2014-010	Federal Single Audit Reporting	Yes	

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 7, 2016