



Dave Yost • Auditor of State

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Coventry Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Coventry Local School District, Summit County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the District has experienced reoccurring losses and has a negative Fund Balance in its General Fund. In addition, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State in May 1997. Note 23 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

June 15, 2014

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Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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, 2013. 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 2013 are as follows:

- Net position decreased \$707,101, which represents a 25 percent decrease from 2012.
- Capital assets decreased \$302,967 during fiscal year 2013.
- During the year, outstanding debt decreased from \$6,738,819 to \$5,912,031 due to principal payments.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

Reporting the School District's Fiduciary Responsibilities

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

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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 2013 compared to 2012:

Table 1
Net Position

| | Governmental Activities | |
|----------------------------------|-------------------------|------------------|
| | 2013 | Restated 2012 |
| Assets | | |
| Current and Other Assets | \$ 11,654,560 | \$ 12,149,251 |
| Capital Assets | 4,850,349 | 5,153,316 |
| <i>Total Assets</i> | 16,504,909 | 17,302,567 |
| Liabilities | | |
| Other Liabilities | 13,892,293 | 13,562,348 |
| Long-Term Liabilities | 6,130,013 | 6,550,515 |
| <i>Total Liabilities</i> | 20,022,306 | 20,112,863 |
| Net Position | | |
| Net Investment in Capital Assets | 1,968,419 | 1,855,805 |
| Restricted | 348,697 | 435,192 |
| Unrestricted | (5,834,513) | (5,101,293) |
| <i>Total Net Position</i> | \$ (3,517,397) | \$ (2,810,296) |

At year end, capital assets represented 29 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was \$1,968,419 at June 30, 2013. 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, \$348,697 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a negative \$5,834,513.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

| | Governmental Activities | |
|---|-------------------------|-----------------------|
| | 2013 | Restated 2012 |
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for Services and Sales | \$ 5,896,053 | \$ 5,971,869 |
| Operating Grants and Contributions | 2,040,793 | 2,078,629 |
| <i>Total Program Revenues</i> | <u>7,936,846</u> | <u>8,050,498</u> |
| <i>General Revenues:</i> | | |
| Property Taxes | 9,176,289 | 10,750,221 |
| Grants and Entitlements Not Restricted | 4,760,523 | 4,930,677 |
| Other | 163,645 | 264,961 |
| <i>Total General Revenues</i> | <u>14,100,457</u> | <u>15,945,859</u> |
| <i>Total Revenues</i> | <u>22,037,303</u> | <u>23,996,357</u> |
| Program Expenses | | |
| <i>Instruction:</i> | | |
| Regular | 9,183,481 | 9,784,834 |
| Special | 3,234,817 | 2,706,418 |
| Vocational | 86,716 | 84,719 |
| Student Intervention Services | 0 | 217 |
| Other | 731,254 | 822,718 |
| <i>Support Services:</i> | | |
| Pupils | 918,161 | 1,019,015 |
| Instructional Staff | 1,205,858 | 1,251,251 |
| Board of Education | 203,927 | 53,233 |
| Administration | 1,512,293 | 1,740,875 |
| Fiscal | 464,181 | 444,603 |
| Business | 58,791 | 47,889 |
| Operation and Maintenance of Plant | 1,912,079 | 2,331,896 |
| Pupil Transportation | 1,405,554 | 1,292,647 |
| Central | 218,863 | 208,506 |
| <i>Operation of Non-Instructional Services:</i> | | |
| Food Service Operations | 691,850 | 769,826 |
| Community Services | 291,267 | 239,158 |
| Extracurricular Activities | 380,372 | 432,386 |
| <i>Debt Service:</i> | | |
| Interest and Fiscal Charges | 244,940 | 289,416 |
| <i>Total Expenses</i> | <u>22,744,404</u> | <u>23,519,607</u> |
| <i>Increase (Decrease) in Net Position</i> | (707,101) | 476,750 |
| <i>Net Position at Beginning of Year</i> | (2,810,296) | (3,287,046) |
| <i>Net Position at End of Year</i> | <u>\$ (3,517,397)</u> | <u>\$ (2,810,296)</u> |

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Property taxes decreased by \$1,573,932 due to a decrease in the amount available for advance at June 30, 2013, which can vary from year to year based on the dates tax bills are sent. The significant decrease is also related to the timing of property tax advance payments received in each fiscal year. In June 2012, the School District received approximately \$550,000 in advances on the second half real estate tax settlement, whereas in June 2013, no advance was received.

Unrestricted grants and entitlements decreased by \$170,154 due to slight cuts in state foundation revenue, as well as the phase out of tangible personal property tax loss reimbursements in fiscal year 2013.

Overall, total expenses decreased by \$775,203. The majority of this savings was the result of eliminating approximately 35 positions within the School District in fiscal year 2013. While most expense functions decreased from fiscal year 2012, pupil transportation saw an increase due to the timing of payments to the company that manages the School District's transportation department. Additionally, Board of Education expenses increased due to additional legal fees, some of which were related to placing a tax levy on the ballot.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

| | Total Cost of Service | | Net Cost of Service | |
|--|-----------------------|----------------------|----------------------|----------------------|
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| Instruction: | | | | |
| Regular | \$ 9,183,481 | \$ 9,784,834 | \$ 3,735,095 | \$ 4,292,992 |
| Special | 3,234,817 | 2,706,418 | 2,115,791 | 1,774,241 |
| Vocational | 86,716 | 84,719 | 86,716 | 84,719 |
| Student Intervention Services | 0 | 217 | 0 | 217 |
| Other | 731,254 | 822,718 | 731,254 | 822,718 |
| Support Services: | | | | |
| Pupils | 918,161 | 1,019,015 | 905,951 | 990,129 |
| Instructional Staff | 1,205,858 | 1,251,251 | 1,051,165 | 1,048,047 |
| Board of Education | 203,927 | 53,233 | 203,927 | 53,233 |
| Administration | 1,512,293 | 1,740,875 | 1,510,107 | 1,643,074 |
| Fiscal | 464,181 | 444,603 | 464,181 | 444,603 |
| Business | 58,791 | 47,889 | 58,791 | 47,889 |
| Operation and Maintenance of Plant | 1,912,079 | 2,331,896 | 1,912,079 | 2,329,037 |
| Pupil Transportation | 1,405,554 | 1,292,647 | 1,392,976 | 1,275,525 |
| Central | 218,863 | 208,506 | 218,863 | 208,506 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 691,850 | 769,826 | (157,237) | (181,143) |
| Community Services | 291,267 | 239,158 | 64,115 | 12,107 |
| Extracurricular Activities | 380,372 | 432,386 | 268,844 | 333,799 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 244,940 | 289,416 | 244,940 | 289,416 |
| <i>Total Expenses</i> | \$ 22,744,404 | \$ 23,519,607 | \$ 14,807,558 | \$ 15,469,109 |

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The dependence upon general revenues for governmental activities is apparent. Over 65 percent of governmental activities are supported through taxes and other general revenues; such revenues are 64 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 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,268,104, including revenue from other financing sources, and expenditures, including other financing uses, of \$23,349,650 for fiscal year 2013.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$1,011,527. While the School District did manage to cut expenditures, tax revenue decreased significantly due to the timing of property tax advance payments received in each fiscal year. In June 2012, the School District received approximately \$550,000 in advances on the second half real estate tax settlement, whereas in June 2013, no advance was received. Additionally, there was a decrease in the amount available for advance at June 30, 2013, which can vary from year to year based on the dates tax bills are sent. In fiscal year 2013, the general fund also transferred \$247,497 to cover operating expenditures of other funds.

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 2013, the School District amended its general fund budget a few times. 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, including other financing sources, was \$131,813 higher than the final budgeted revenue of \$20,313,435.

Final appropriations of \$20,514,111 were \$558,820 lower than the actual expenditures, including other financing uses, of \$21,072,931, mostly due to underestimation of regular and special instruction costs.

Coventry Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$4,850,349 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

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

| | Governmental Activities | |
|----------------------------|-------------------------|--------------|
| | 2013 | 2012 |
| Land | \$ 544,210 | \$ 544,210 |
| Buildings and Improvements | 3,943,967 | 4,132,936 |
| Furniture and Equipment | 272,055 | 350,652 |
| Vehicles | 90,117 | 125,518 |
| <i>Totals</i> | \$ 4,850,349 | \$ 5,153,316 |

The \$302,967 decrease in capital assets was attributable to current depreciation expense exceeding additional purchases. See Note 10 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, 2013

Debt

At June 30, 2013, the School District had \$5,912,031 in debt outstanding. See Notes 15 and 16 for additional details. Table 5 summarizes debt outstanding.

(Table 5)
Outstanding Debt at Year End

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2013 | 2012 |
| Loans Payable: | | |
| HB264 Energy Conservation Loan | \$ 145,494 | \$ 213,556 |
| Energy Conservation Loan Phase #2 | 210,333 | 274,468 |
| Energy Conservation Loan Phase #3 | 436,028 | 480,469 |
| | 791,855 | 968,493 |
| General Obligation Bonds Payable: | | |
| School Improvement Bonds | 315,000 | 615,000 |
| Stark County Council of Governments Note | 1,233,876 | 1,018,876 |
| Tax Anticipation Notes Payable | 882,300 | 1,323,450 |
| Capital Leases Payable | 2,689,000 | 2,813,000 |
| <i>Total Debt</i> | \$ 5,912,031 | \$ 6,738,819 |

Current Issues

Coventry Local School District is currently funded at 37 percent state revenue and 63 percent local revenue for operating expenses. One third of the student population is open enrolled from other neighboring districts. Future student enrollment projections show a slight decrease in enrollment. Lastly, the School District continues to lose revenue annually due to a decrease in tangible personal property taxes.

The School District implemented a reduction in work force for the 2012-2013 school year. Through these reductions and other budget cuts, Coventry Local Schools were able to reduce expenses.

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

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 Aaron Butts, 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, 2013

| | Governmental Activities |
|--------------------------------------|----------------------------|
| Assets | |
| Receivables: | |
| Intergovernmental | \$ 1,170,187 |
| Property Taxes | 10,362,303 |
| Deferred Charges | 122,070 |
| Nondepreciable Capital Assets | 544,210 |
| Depreciable Capital Assets (Net) | 4,306,139 |
| <i>Total Assets</i> | 16,504,909 |
| Liabilities | |
| Accounts Payable | 424,911 |
| Accrued Wages and Benefits | 2,085,285 |
| Intergovernmental Payable | 1,032,434 |
| Accrued Vacation Leave Payable | 42,137 |
| Matured Compensated Absences Payable | 19,873 |
| Accrued Interest Payable | 78,362 |
| Deferred Revenue | 9,326,991 |
| Notes Payable | 882,300 |
| Long Term Liabilities: | |
| Due Within One Year | 1,195,118 |
| Due In More Than One Year | 4,934,895 |
| <i>Total Liabilities</i> | 20,022,306 |
| Net Position | |
| Net Investment in Capital Assets | 1,968,419 |
| Restricted For: | |
| Other Purposes | 348,697 |
| Unrestricted | (5,834,513) |
| <i>Total Net Position</i> | \$ (3,517,397) |

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, 2013

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|--------------------------------------|--|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 9,183,481 | \$ 5,241,563 | \$ 206,823 | \$ (3,735,095) |
| Special | 3,234,817 | 315,434 | 803,592 | (2,115,791) |
| Vocational | 86,716 | 0 | 0 | (86,716) |
| Other | 731,254 | 0 | 0 | (731,254) |
| Support Services: | | | | |
| Pupils | 918,161 | 0 | 12,210 | (905,951) |
| Instructional Staff | 1,205,858 | 0 | 154,693 | (1,051,165) |
| Board of Education | 203,927 | 0 | 0 | (203,927) |
| Administration | 1,512,293 | 0 | 2,186 | (1,510,107) |
| Fiscal | 464,181 | 0 | 0 | (464,181) |
| Business | 58,791 | 0 | 0 | (58,791) |
| Operation and Maintenance of Plant | 1,912,079 | 0 | 0 | (1,912,079) |
| Pupil Transportation | 1,405,554 | 0 | 12,578 | (1,392,976) |
| Central | 218,863 | 0 | 0 | (218,863) |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 691,850 | 228,328 | 620,759 | 157,237 |
| Community Services | 291,267 | 0 | 227,152 | (64,115) |
| Extracurricular Activities | 380,372 | 110,728 | 800 | (268,844) |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 244,940 | 0 | 0 | (244,940) |
| Total | \$ 22,744,404 | \$ 5,896,053 | \$ 2,040,793 | (14,807,558) |

General Revenues

| | |
|--|-----------------------|
| Property Taxes Levied for: | |
| General Purposes | 8,839,852 |
| Debt Service | 336,437 |
| Grants and Entitlements Not Restricted to Specific Programs | 4,760,523 |
| Miscellaneous | 163,645 |
| Total General Revenues | 14,100,457 |
| Change in Net Position | (707,101) |
| Net Position Beginning of Year (Restated, See Note 3) | (2,810,296) |
| Net Position End of Year | \$ (3,517,397) |

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|---|
| Assets | | | |
| Receivables: | | | |
| Interfund | \$ 291,531 | \$ 169,289 | \$ 460,820 |
| Intergovernmental | 529,156 | 641,031 | 1,170,187 |
| Property Taxes | 9,333,049 | 1,029,254 | 10,362,303 |
| <i>Total Assets</i> | <u>\$ 10,153,736</u> | <u>\$ 1,839,574</u> | <u>\$ 11,993,310</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$ 345,433 | \$ 79,478 | \$ 424,911 |
| Accrued Wages and Benefits | 1,966,735 | 118,550 | 2,085,285 |
| Intergovernmental Payable | 1,005,135 | 27,299 | 1,032,434 |
| Matured Compensated Absences Payable | 19,873 | 0 | 19,873 |
| Accrued Interest Payable | 2,153 | 0 | 2,153 |
| Interfund Payable | 169,289 | 291,531 | 460,820 |
| Deferred Revenue | 9,379,614 | 1,346,054 | 10,725,668 |
| Notes Payable | 882,300 | 0 | 882,300 |
| <i>Total Liabilities</i> | <u>13,770,532</u> | <u>1,862,912</u> | <u>15,633,444</u> |
| Fund Balances | | | |
| Restricted | 0 | 105,859 | 105,859 |
| Committed | 11,000 | 0 | 11,000 |
| Assigned | 61 | 0 | 61 |
| Unassigned | <u>(3,627,857)</u> | <u>(129,197)</u> | <u>(3,757,054)</u> |
| <i>Total Fund Balances</i> | <u>(3,616,796)</u> | <u>(23,338)</u> | <u>(3,640,134)</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 10,153,736</u> | <u>\$ 1,839,574</u> | <u>\$ 11,993,310</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, 2013

| | |
|---|----------------|
| Total Governmental Fund Balances | \$ (3,640,134) |
|---|----------------|

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

| | |
|---|-----------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 4,850,349 |
|---|-----------|

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

| | | |
|----------------------|----|---------|
| Property Taxes | \$ | 625,687 |
| Charges for Services | | 408,877 |
| Intergovernmental | | 364,113 |
| | | 364,113 |

| | |
|-------|-----------|
| Total | 1,398,677 |
|-------|-----------|

| | |
|--|---------|
| In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. | 122,070 |
|--|---------|

| | |
|---|----------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported at maturity. | (76,209) |
|---|----------|

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 | | (315,000) |
| Loans Payable | | (791,855) |
| Capital Leases | | (2,689,000) |
| Stark County COG Liability | | (1,233,876) |
| Accrued Vacation Payable | | (42,137) |
| Compensated Absences | | (1,100,282) |
| | | (1,100,282) |

| | |
|-------|-------------|
| Total | (6,172,150) |
|-------|-------------|

| | |
|--|------------------------------|
| <i>Net Position of Governmental Activities</i> | <u><u>\$ (3,517,397)</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 Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property and Other Local Taxes | \$ 8,942,243 | \$ 136,437 | \$ 9,078,680 |
| Intergovernmental | 4,845,797 | 1,999,117 | 6,844,914 |
| Tuition and Fees | 5,289,117 | 3,972 | 5,293,089 |
| Extracurricular Activities | 104,180 | 59,739 | 163,919 |
| Rentals | 33,025 | 0 | 33,025 |
| Charges for Services | 26,792 | 228,328 | 255,120 |
| Contributions and Donations | 600 | 27,402 | 28,002 |
| Miscellaneous | 163,271 | 373 | 163,644 |
| <i>Total Revenues</i> | <u>19,405,025</u> | <u>2,455,368</u> | <u>21,860,393</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 8,735,416 | 271,875 | 9,007,291 |
| Special | 2,352,333 | 857,388 | 3,209,721 |
| Vocational | 86,508 | 0 | 86,508 |
| Other | 730,937 | 317 | 731,254 |
| Support Services: | | | |
| Pupils | 901,209 | 16,703 | 917,912 |
| Instructional Staff | 975,440 | 205,368 | 1,180,808 |
| Board of Education | 204,069 | 0 | 204,069 |
| Administration | 1,482,598 | 20,742 | 1,503,340 |
| Fiscal | 462,555 | 0 | 462,555 |
| Business | 58,441 | 0 | 58,441 |
| Operation and Maintenance of Plant | 1,946,430 | 0 | 1,946,430 |
| Pupil Transportation | 1,363,247 | 17,197 | 1,380,444 |
| Central | 219,247 | 10 | 219,257 |
| Extracurricular Activities | 329,790 | 38,350 | 368,140 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 0 | 688,058 | 688,058 |
| Community Services | 14,188 | 276,264 | 290,452 |
| Capital Outlay | 247 | 3,500 | 3,747 |
| Debt Service: | | | |
| Principal Retirement | 300,638 | 300,000 | 600,638 |
| Interest and Fiscal Charges | 220,762 | 22,326 | 243,088 |
| <i>Total Expenditures</i> | <u>20,384,055</u> | <u>2,718,098</u> | <u>23,102,153</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(979,030)</u> | <u>(262,730)</u> | <u>(1,241,760)</u> |
| Other Financing Sources (Uses) | | | |
| Note Proceeds | 215,000 | 0 | 215,000 |
| Transfers In | 0 | 192,711 | 192,711 |
| Transfers Out | (247,497) | 0 | (247,497) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(32,497)</u> | <u>192,711</u> | <u>160,214</u> |
| <i>Net Change in Fund Balance</i> | (1,011,527) | (70,019) | (1,081,546) |
| <i>Fund Balances (Deficit) Beginning of Year</i> | <u>(2,605,269)</u> | <u>46,681</u> | <u>(2,558,588)</u> |
| <i>Fund Balances (Deficit) End of Year</i> | <u>\$ (3,616,796)</u> | <u>\$ (23,338)</u> | <u>\$ (3,640,134)</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, 2013

| | | |
|---|------------------|-----------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (1,081,546) |
| <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 depreciation exceeded capital outlay in the current period. | | |
| Capital Asset Additions | \$ 56,563 | |
| Current Year Depreciation | <u>(359,530)</u> | (302,967) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | 97,609 | |
| Charges for Services | 150,901 | |
| Intergovernmental | <u>(38,893)</u> | 209,617 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| | | 600,638 |
| Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. | | |
| | | (215,000) |
| Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net position. | | |
| | | (8,419) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported at maturity. | | |
| | | 6,567 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | 61,056 |
| 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 | 34,864 | |
| Accrued Vacation Payable | <u>(11,911)</u> | <u>22,953</u> |
| <i>Change in Net Position of Governmental Activities</i> | \$ | <u><u>(707,101)</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, 2013

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|---------------------|-------------------|---------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property and Other Local Taxes | \$ 10,022,724 | \$ 9,325,391 | \$ 9,494,088 | \$ 168,697 |
| Intergovernmental | 5,225,697 | 4,862,118 | 4,845,797 | (16,321) |
| Tuition and Fees | 5,604,469 | 5,214,537 | 5,197,033 | (17,504) |
| Extracurricular Activities | 46,011 | 42,810 | 42,666 | (144) |
| Rentals | 35,614 | 33,136 | 33,025 | (111) |
| Charges for Services | 28,892 | 26,882 | 26,792 | (90) |
| Miscellaneous | 97,969 | 91,153 | 90,847 | (306) |
| <i>Total Revenues</i> | <u>21,061,376</u> | <u>19,596,027</u> | <u>19,730,248</u> | <u>134,221</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,168,144 | 8,169,099 | 8,391,631 | (222,532) |
| Special | 2,153,984 | 2,154,236 | 2,212,919 | (58,683) |
| Vocational | 81,489 | 81,499 | 83,719 | (2,220) |
| Other | 711,471 | 711,554 | 730,937 | (19,383) |
| Support Services: | | | | |
| Pupils | 935,739 | 935,849 | 961,342 | (25,493) |
| Instructional Staff | 911,273 | 911,379 | 936,206 | (24,827) |
| Board of Education | 188,545 | 188,567 | 193,704 | (5,137) |
| Administration | 1,451,674 | 1,451,844 | 1,491,393 | (39,549) |
| Fiscal | 463,552 | 463,606 | 476,235 | (12,629) |
| Business | 56,885 | 56,891 | 58,441 | (1,550) |
| Operation and Maintenance of Plant | 1,897,554 | 1,897,775 | 1,949,472 | (51,697) |
| Pupil Transportation | 1,262,345 | 1,262,493 | 1,296,884 | (34,391) |
| Central | 227,894 | 227,920 | 234,129 | (6,209) |
| Extracurricular Activities | 324,386 | 324,423 | 333,261 | (8,838) |
| Operation of Non-Instructional Services: | | | | |
| Community Services | 10,986 | 10,988 | 11,287 | (299) |
| Capital Outlay | 240 | 240 | 247 | (7) |
| Debt Service: | | | | |
| Principal Retirement | 1,208,717 | 1,208,858 | 1,241,788 | (32,930) |
| Interest and Fiscal Charges | 215,931 | 215,956 | 221,839 | (5,883) |
| <i>Total Expenditures</i> | <u>20,270,809</u> | <u>20,273,177</u> | <u>20,825,434</u> | <u>(552,257)</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>790,567</u> | <u>(677,150)</u> | <u>(1,095,186)</u> | <u>(418,036)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Tax Anticipation Notes | 539,199 | 501,684 | 500,000 | (1,684) |
| Proceeds of Notes | 231,856 | 215,724 | 215,000 | (724) |
| Transfers Out | (240,906) | (240,934) | (247,497) | (6,563) |
| <i>Total Other Financing Sources (Uses)</i> | <u>530,149</u> | <u>476,474</u> | <u>467,503</u> | <u>(8,971)</u> |
| <i>Net Change in Fund Balance</i> | 1,320,716 | (200,676) | (627,683) | (427,007) |
| <i>Fund Balance Beginning of Year</i> | 242,150 | 242,150 | 242,150 | 0 |
| Prior Year Encumbrances Appropriated | 560 | 560 | 560 | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | <u>\$ 1,563,426</u> | <u>\$ 42,034</u> | <u>\$ (384,973)</u> | <u>\$ (427,007)</u> |

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

| | Governmental Activities - Internal Service Fund |
|--|--|
| Operating Revenue | |
| Charges for Services | \$ 6,795 |
| Operating Expenses | |
| Purchased Services | 525 |
| <i>Income Before Transfers</i> | 6,270 |
| Transfers In | 54,786 |
| <i>Change in Net Position</i> | 61,056 |
| <i>Net Position Beginning of Year (Restated, See Note 3)</i> | (61,056) |
| <i>Net Position End of Year</i> | \$ 0 |

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

| | Governmental Activities - Internal Service Fund |
|---|--|
| <hr/> <hr/> | |
| Cash Flows From Operating Activities | |
| Cash Received from Customers | \$ 6,795 |
| Cash Paid for Goods and Services | (525) |
| Cash Paid for Claims | (140,886) |
| | <hr/> |
| <i>Net Cash Used For Operating Activities</i> | <i>(134,616)</i> |
| | <hr/> |
| Cash Flows From Non-Capital Financing Activities | |
| Transfers from Other Funds | 54,786 |
| | <hr/> |
| <i>Net Decrease in Cash and Cash Equivalents</i> | <i>(79,830)</i> |
| | <hr/> |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <i>79,830</i> |
| | <hr/> |
| <i>Cash and Cash Equivalents End of Year</i> | <i>\$ 0</i> |
| | <hr/> <hr/> |
| Reconciliation of Operating Income to Net Cash Used For Operating Activities | |
| Operating Income | \$ 6,270 |
| Adjustment: | |
| Decrease in Liabilities: | |
| Claims Payable | (140,886) |
| | <hr/> |
| <i>Net Cash Used For Operating Activities</i> | <i>\$ (134,616)</i> |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements.

Coventry Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

| | Private Purpose Trust | Agency |
|---|--------------------------|-----------|
| Assets | | |
| Cash and Investments in Segregated Accounts | \$ 92,888 | \$ 0 |
| Intergovernmental Receivable | 65,125 | 94,917 |
| <i>Total Assets</i> | 158,013 | \$ 94,917 |
| Liabilities | | |
| Due to Students | 0 | \$ 94,917 |
| Net Position | | |
| Held in Trust for Scholarships | \$ 158,013 | |

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, 2013

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Gifts and Contributions | \$ 23,221 |
| Interest | 8,905 |
| <i>Total Additions</i> | 32,126 |
| Deductions | |
| Payments in Accordance with Trust Agreements | 3,049 |
| <i>Change in Net Position</i> | 29,077 |
| <i>Net Position Beginning of Year</i> | 128,936 |
| <i>Net Position End of Year</i> | \$ 158,013 |

See accompanying notes to the basic financial statements.

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Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 primary school (Pre K-4), two elementary schools (1-4), one middle school (5-7), one junior high school (8-9), and one high school (10-12).

Reporting Entity

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

Nonpublic School Within the School District boundaries, St. Francis De Sales School is operated through the Cleveland Diocese. Current State legislation provides funding for the nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer/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 three jointly governed organizations and two insurance purchasing pools. These organizations include Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center, the Interval Opportunity School, 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 11, 18 and 19 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, 2013

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.

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 activity of the internal service fund is also 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 and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Fund Accounting

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net 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 all liabilities associated with the operation of the School District are included on the statement of net position.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities. The proprietary fund is reported using the economic resource measurement focus.

Private purpose trust funds are reported using the economic resources measurement focus. 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. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements for which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District has segregated a portion of cash balances, reported as "Investments in Segregated Accounts" which are for special trusts and private purpose trust funds.

During fiscal year 2013, investments were limited to donated stocks and certificates of deposit.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The only interest revenue in fiscal year 2013 was in the private purpose trust fund.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Buildings and Improvements | 10 - 30 Years |
| Furniture and Equipment | 5 - 20 Years |
| Vehicles | 13 Years |

H. Compensated Absences

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

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

J. Net Position

Net position represents the difference between assets and liabilities. 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. 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. Net position restricted for other purposes include special education, handicapped, preschool and auxiliary services.

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

K. Fund Balance

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

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

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

L. Operating Revenues and Expenses

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

M. Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables." These amounts are eliminated in the governmental activities column of the statement of net position. Short-term loans between governmental funds and fiduciary funds are classified as "Intergovernmental Receivables/Payables."

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 2013.

O. Estimates

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

P. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer/Chief Fiscal Officer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013.

Coventry Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*,” GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*,” GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” and GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 - Restatement of Net Position

During fiscal year 2013, it was determined there was an error in the estimation of claims payable at June 30, 2012, resulting in an overstatement of \$59,237. The correction of this error had the following effect on beginning net position:

| | Governmental Activities | Internal Service Fund |
|---|----------------------------|--------------------------|
| Previously Reported Net Position at June 30, 2011 | \$ (2,869,533) | \$ (120,293) |
| Correction to claims payable | 59,237 | 59,237 |
| Restated Net Position at July 1, 2012 | \$ (2,810,296) | \$ (61,056) |

Note 4 - Fund Deficits

Fund balances at June 30, 2013 included the following individual fund deficits:

| | |
|-------------------------------------|--------------|
| <i>Major Governmental Funds:</i> | |
| General Fund | \$ 3,616,796 |
| <i>Nonmajor Governmental Funds:</i> | |
| Bond Retirement | 8,825 |
| Building | 900 |
| Food Service Operations | 26,640 |
| Miscellaneous State Grants | 17,719 |
| IDEA Part B | 15,132 |
| Title I | 29,745 |
| Improving Teacher Quality | 666 |
| Race to the Top | 29,570 |

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

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget basis) rather than as assigned, committed or restricted fund balance (GAAP basis).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

| | |
|---|--------------------------------|
| GAAP Basis | \$ (1,011,527) |
| Net Adjustments for Revenue Accruals | 978,879 |
| Net Adjustment for Expenditure Accruals | (572,761) |
| Funds Budgeted Elsewhere** | (22,510) |
| Encumbrances | <u>236</u> |
| Budgetary Basis | <u><u>\$ (627,683)</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.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - Deposits and Investments

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

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

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

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

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% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2013, 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 \$(128,346) and the bank balance was \$79,411. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*," as of June 30, 2013, the entire bank balance of \$79,411 was covered by Federal Deposit Insurance Corporation.

Investments - Investments are reported at fair value. As of June 30, 2013, the School District had the following investments:

| | Fair Value | Maturity 0-6 Months |
|--------|------------|------------------------|
| Stocks | \$ 32,566 | \$ 32,566 |

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.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Concentration of Credit Risk The School District investment policy is to be diversified enough to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue or a specific class of securities. At various times during the year, the School District's stocks exceeded more than 5 percent of the School District's investments. The following table includes the percentage to total of each investment type held by the School District at June 30, 2013:

| Investment Type | Fair Value | Percent of Total |
|-----------------|---------------|---------------------|
| Stocks | \$ 32,566 | 100.00% |

Note 7 - 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, 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 revenue.

The amount available as an advance at June 30, 2013 was \$409,625 in the general fund. The amount available as an advance at June 30, 2012, was \$961,470 in the general fund and \$30,089 in the bond retirement debt service fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2013 taxes were collected are:

| | 2012 Second Half Collections | | 2013 First Half Collections | |
|--|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$ 282,361,240 | 98% | \$ 281,169,550 | 97% |
| Public Utility Personal Property | 6,956,950 | 2% | 7,464,580 | 3% |
| Total | \$ 289,318,190 | 100% | \$ 288,634,130 | 100% |
| Full Tax Rate per \$1,000 of assessed valuation | \$ 73.49 | | \$ 73.52 | |

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 – Interfund Activity

A. Interfund Balances

Interfund balances at June 30, 2013 consisted of the following:

| | Interfund Receivable | Interfund Payable |
|-------------------------------------|-------------------------|----------------------|
| General Fund | \$ 291,531 | \$ 169,289 |
| <i>Nonmajor Governmental Funds:</i> | | |
| Bond Retirement | 0 | 8,825 |
| Food Service Operations | 37,265 | 0 |
| Other Grants | 64,850 | 0 |
| District Managed Activities | 9,849 | 0 |
| Auxiliary Services | 44,696 | 0 |
| Public School Preschool | 3,599 | 0 |
| Entry Year Programs | 3,034 | 0 |
| Data Communications | 5,996 | 0 |
| Building | 0 | 900 |
| Miscellaneous State Grants | 0 | 15,265 |
| Race to the Top | 0 | 47,238 |
| IDEA - Part B | 0 | 134,074 |
| Title I - Disadvantaged Children | 0 | 62,097 |
| Improving Teacher Quality | 0 | 23,132 |
| Total | \$ 460,820 | \$ 460,820 |

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, 2013 are reported on the Statement of Net Position.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

| | Transfers Out | Transfers In |
|-------------------------------------|----------------|----------------|
| General Fund | \$ 247,497 | \$ 0 |
| <i>Nonmajor Governmental Funds:</i> | | |
| Title II-D Technology | 0 | 568 |
| Auxiliary Services | 0 | 7,863 |
| Building | 0 | 3,560 |
| Miscellaneous State Grants | 0 | 4,497 |
| IDEA - Part B | 0 | 64,970 |
| Title I - Disadvantaged Children | 0 | 90,059 |
| Improving Teacher Quality | 0 | 21,194 |
| <i>Internal Service Fund:</i> | | |
| Self Insurance | 0 | 54,786 |
| Total | \$ 247,497 | \$ 247,497 |

Interfund transfers from the general fund were made to provide additional resources for current operations.

Note 9 - Receivables

Receivables at June 30, 2013 consisted of taxes, interfund, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | Balance 6/30/12 | Additions | Reductions | Balance 6/30/13 |
|--|---------------------|---------------------|-------------|---------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, not being depreciated</i> | | | | |
| Land | \$ 544,210 | \$ 0 | \$ 0 | \$ 544,210 |
| <i>Total Capital Assets, not being depreciated</i> | 544,210 | 0 | 0 | 544,210 |
| <i>Capital Assets, being depreciated</i> | | | | |
| Buildings and Improvements | 10,397,318 | 35,248 | 0 | 10,432,566 |
| Furniture and Equipment | 2,106,377 | 21,315 | 73,051 | 2,054,641 |
| Vehicles | 623,958 | 0 | 0 | 623,958 |
| <i>Total Capital Assets, being depreciated</i> | 13,127,653 | 56,563 | 73,051 | 13,111,165 |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (6,264,382) | (224,217) | 0 | (6,488,599) |
| Furniture and Equipment | (1,755,725) | (99,912) | 73,051 | (1,782,586) |
| Vehicles | (498,440) | (35,401) | 0 | (533,841) |
| <i>Total Accumulated Depreciation</i> | (8,518,547) | (359,530) | 73,051 | (8,805,026) |
| <i>Total Capital Assets being depreciated, net</i> | 4,609,106 | (302,967) | 0 | 4,306,139 |
| <i>Governmental Capital Assets, net</i> | <u>\$ 5,153,316</u> | <u>\$ (302,967)</u> | <u>\$ 0</u> | <u>\$ 4,850,349</u> |

Coventry Local School District
Summit County, Ohio
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For the Fiscal Year Ended June 30, 2013

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| Instruction: | |
| Regular | \$ 229,759 |
| Special | 27,886 |
| Support Services: | |
| Pupils | 1,547 |
| Instructional Staff | 26,539 |
| Administration | 3,436 |
| Business | 350 |
| Operation and Maintenance of Plant | 13,612 |
| Pupil Transportation | 28,961 |
| Operation of Non-Instructional Services: | |
| Food Service Operations | 6,912 |
| Community Services | 8,843 |
| Extracurricular | <u>11,685</u> |
| Total Depreciation Expense | <u>\$ 359,530</u> |

Note 11 - Risk Management

Property and Liability

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

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

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

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

Workers' Compensation

For fiscal year 2013, 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.

Coventry Local School District
Summit County, Ohio

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

Self Insurance

Until April 1, 2012, the School District was self-insured for hospital/medical benefits. Premiums were paid into the self-insurance fund by all other funds and were available to pay claims, claim reserves and administrative costs of the program. No liability for unpaid claims cost is reported in the fund at June 30, 2013, based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as interfund transactions.

Changes in the fund's claims liability in the self-insurance fund were:

| | | <u>Balance</u> <u>Beginning of Year</u> | <u>Current Year</u> <u>Claims</u> | <u>Claim</u> <u>Payments</u> | <u>Balance at</u> <u>End of Year</u> |
|------|----|--|--------------------------------------|---------------------------------|---|
| 2012 | \$ | 413,451 | \$ 1,642,800 | \$ 1,915,365 | \$ 140,886 |
| 2013 | \$ | 140,886 | \$ 0 | \$ 140,886 | \$ 0 |

Effective April 1, 2012, the School District joined the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 - 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 13 - Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$355,127, \$345,502 and \$364,851, respectively; 57 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

Coventry Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
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B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,245,655, \$1,251,962 and \$1,204,186, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$25,808 made by the School District and \$18,434 made by the plan members.

Coventry Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Coventry Local School District
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Notes to the Basic Financial Statements
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Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$45,775, \$15,022, and \$44,178, respectively; 57 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$20,061, \$20,484 and \$23,479, respectively; 57 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$95,820, \$96,305, and \$92,630, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 - Tax Anticipation Notes Payable

Note activity for the year ended June 30, 2013, consisted of the following:

| | Outstanding 6/30/2012 | Issued | Retired | Outstanding 6/30/2013 |
|--------------------------|--------------------------|------------|------------|--------------------------|
| Tax Anticipation Notes | | | | |
| 3.00% Maturity 6/1/2015 | \$ 1,323,450 | \$ 0 | \$ 441,150 | \$ 882,300 |
| Tax Anticipation Notes | | | | |
| 2.51% Maturity 4/13/2013 | 0 | 500,000 | 500,000 | 0 |
| | \$ 1,323,450 | \$ 500,000 | \$ 941,150 | \$ 882,300 |

The 2013 tax anticipation note was issued for the purpose of paying current expenses of the School District during the fiscal year, in anticipation of the collection of current property tax revenues in and for fiscal year 2013.

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

Principal and interest requirements to retire notes outstanding at June 30, 2013 are as follows:

| Fiscal Year Ending June 30, | Long-Term Tax Anticipation Notes | | |
|--------------------------------|----------------------------------|-----------|------------|
| | Principal | Interest | Total |
| 2014 | \$ 441,150 | \$ 23,778 | \$ 464,928 |
| 2015 | 441,150 | 10,191 | 451,341 |
| Total | \$ 882,300 | \$ 33,969 | \$ 916,269 |

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 - Long - Term Obligations

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

| | Balance 6/30/2012 | Additions | Reductions | Balance 6/30/2013 | Due Within One Year |
|---|----------------------|-------------------|-------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| <i>Loans Payable:</i> | | | | | |
| HB264 Energy Conservation Loan, 4.43%, Due 03/15/2015 | \$ 213,556 | \$ 0 | \$ 68,062 | \$ 145,494 | \$ 71,139 |
| Energy Conservation Loan Phase #2, 4.43%, Due 10/15/2015 | 274,468 | 0 | 64,135 | 210,333 | 67,035 |
| Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020 | 480,469 | 0 | 44,441 | 436,028 | 46,450 |
| Total Loans Payable | <u>968,493</u> | <u>0</u> | <u>176,638</u> | <u>791,855</u> | <u>184,624</u> |
| <i>General Obligation Bonds Payable:</i> | | | | | |
| School Improvement Bonds, 4.75%, Due 12/01/2013 | 615,000 | 0 | 300,000 | 315,000 | 315,000 |
| <i>Long-Term Note Payable:</i> | | | | | |
| Stark County Council of Governments | 1,018,876 | 215,000 | 0 | 1,233,876 | 475,000 |
| <i>Other Long-Term Liabilities</i> | | | | | |
| Capital Leases | 2,813,000 | 0 | 124,000 | 2,689,000 | 127,000 |
| Compensated Absences | 1,135,146 | 28,438 | 63,302 | 1,100,282 | 93,494 |
| Total Other Long-Term Liabilities | <u>3,948,146</u> | <u>28,438</u> | <u>187,302</u> | <u>3,789,282</u> | <u>220,494</u> |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 6,550,515</u> | <u>\$ 243,438</u> | <u>\$ 663,940</u> | <u>\$ 6,130,013</u> | <u>\$ 1,195,118</u> |

Energy Conservation Notes – On January 10, 2000, the School District issued \$834,205 for the purpose of providing energy conservation measures for the School District. The notes were issued for a fifteen year period with final maturity during fiscal year 2015. On March 1, 2000, the School District issued another \$842,535 for energy conservation measures for a fifteen year period with final maturity during fiscal year 2016. On June 13, 2005 the School District issued \$709,533 for the purpose making energy improvements to various school buildings in the School District. The notes were issued for a fifteen year period with final maturity during fiscal 2020.

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

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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 and January of 2013 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 of 2013, was added to the total liability. The School District will make principal payments in September of 2013 and March 2014 and then annually in September of 2014, 2015 and 2016. Interest is accrued monthly at the rate of .88 percent. The rate will be reviewed annually by the Council and is variable.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

| Fiscal Year Ending June 30, | School Improvement Bonds | | Energy Conservation Loans | |
|--------------------------------|--------------------------|-----------------|---------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 315,000 | \$ 7,481 | \$ 184,624 | \$ 35,800 |
| 2015 | 0 | 0 | 192,970 | 27,454 |
| 2016 | 0 | 0 | 123,978 | 18,729 |
| 2017 | 0 | 0 | 53,039 | 13,124 |
| 2018 | 0 | 0 | 55,437 | 10,726 |
| 2019 - 2021 | 0 | 0 | 181,807 | 16,682 |
| Total | <u>\$ 315,000</u> | <u>\$ 7,481</u> | <u>\$ 791,855</u> | <u>\$ 122,515</u> |

| Fiscal Year Ending June 30, | Stark County Council of Governments Note | | Total | |
|--------------------------------|---|------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 475,000 | \$ 10,755 | \$ 974,624 | \$ 54,036 |
| 2015 | 256,582 | 3,418 | 449,552 | 30,872 |
| 2016 | 255,416 | 4,584 | 379,394 | 23,313 |
| 2017 | 246,878 | 2,327 | 299,917 | 15,451 |
| 2018 | 0 | 0 | 55,437 | 10,726 |
| 2019 - 2021 | 0 | 0 | 181,807 | 16,682 |
| Total | <u>\$ 1,233,876</u> | <u>\$ 21,084</u> | <u>\$ 2,340,731</u> | <u>\$ 151,080</u> |

Note 17 - 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.

Coventry Local School District
Summit County, Ohio

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

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

The issuance costs of \$143,117 are reported as deferred charges and are being amortized over the life of the lease-purchase agreement using the straight-line method. The amortization of the issuance costs for fiscal year 2013 was \$8,419.

As of June 30, 2013, \$1,500,000 of capital assets acquired by lease has been capitalized as buildings and improvements. There were no principal payments made in fiscal year 2012. The first principal payment was made in fiscal year 2013. 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, 2013:

| | Modular Units | Ohio School Building | Total |
|---|---------------------|-------------------------|---------------------|
| Fiscal Year Ending June 30, 2014 | \$ 124,324 | \$ 132,547 | \$ 256,871 |
| 2015 | 123,242 | 130,955 | 254,197 |
| 2016 | 123,062 | 133,853 | 256,915 |
| 2017 | 122,732 | 131,403 | 254,135 |
| 2018 | 122,253 | 133,678 | 255,931 |
| 2019-2023 | 600,811 | 660,555 | 1,261,366 |
| 2024-2028 | 583,532 | 656,928 | 1,240,460 |
| 2029 | 0 | 133,738 | 133,738 |
| Total | 1,799,956 | 2,113,657 | 3,913,613 |
| Less: Amount Representing Interest | 545,956 | 678,657 | 1,224,613 |
| Present Value of Net Minimum Lease Payments | <u>\$ 1,254,000</u> | <u>\$ 1,435,000</u> | <u>\$ 2,689,000</u> |

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 18 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeastern Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer/Fiscal Officer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2013 the School District paid \$135,915 to NEONET for basic service charges.

Portage Lakes Career Center

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

Interval Opportunity School

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

Coventry Local School District
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Notes to the Basic Financial Statements
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Note 19 - Public Entity Risk Pools

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 20 - Statutory Reserves

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

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

| | <u>Capital Improvements</u> |
|--|---------------------------------|
| Set-aside Restricted Balance as of June 30, 2012 | \$ 0 |
| Current Year Set-aside Requirement | 395,881 |
| Prior Year Offset from Bond Proceeds | <u>(395,881)</u> |
| Totals | <u>\$ 0</u> |
| Balance Carried Forward to Fiscal Year 2014 | <u>\$ 0</u> |
| Set-aside Restricted Balance as of June 30, 2013 | <u><u>\$ 0</u></u> |

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 21 - Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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 | Other Governmental Funds | Total |
|-------------------------------------|-----------------------|--------------------------------|-----------------------|
| Restricted for: | | | |
| Other Purposes | \$ 0 | 105,859 | \$ 105,859 |
| Committed for: | | | |
| Underground Storage Tank | 11,000 | 0 | 11,000 |
| Assigned for: | | | |
| Encumbrances: | | | |
| Support Services | 61 | 0 | 61 |
| Unassigned | (3,627,857) | (129,197) | (3,757,054) |
| <i>Total Fund Balance (Deficit)</i> | <i>\$ (3,616,796)</i> | <i>\$ (23,338)</i> | <i>\$ (3,640,134)</i> |

Note 22 - 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, 2013.

B. Litigation

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

C. Encumbrance Commitments

The only outstanding encumbrance at June 30, 2013 was \$61 in the general fund.

Coventry Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 23 - Fiscal Watch

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

Note 24 – Subsequent Events

On July 5, 2013, the School District issued \$21,691,579 of bond anticipation notes, with a maturity date of January 15, 2014. These notes were retired when the School District issued long-term bonds.

On October 16, 2013, the School District issued \$28,308,425 in General Obligation School Improvement Bonds. The bond proceeds will be used to pay the School District's local share of the construction of a new high school building as well as furnishing, equipping and otherwise improving School District buildings and facilities and clearing, improving and equipping their sites. The bonds were issued for a period of 34 years, with a final maturity date of November 1, 2047.

In July 2013, the Ohio School Facilities Commission approved the Project Agreement with the School District for the construction of a new high school. The total estimated cost of the project is \$30,083,556, with the State share being 37% (\$11,130,916) and the School District share being 63% (\$18,952,640).

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**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|----------------------------------|---------------------------|---------------------------|------------------------|---------------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program | 049999-3L70-2013 | 10.553 | \$126,001 | | \$126,001 | |
| National School Lunch Program | 049999-3L60-2013 | 10.555 | 416,631 | \$54,645 | 416,631 | \$54,645 |
| Total U.S. Department of Agriculture | | | <u>542,632</u> | <u>54,645</u> | <u>542,632</u> | <u>54,645</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States | 049999-3M20-2011 | 84.027 | | | (964) | |
| Special Education - Grants to States | 049999-3M20-2012 | 84.027 | | | 144,005 | |
| Special Education - Grants to States | 049999-3M20-2013 | 84.027 | 417,497 | | 409,044 | |
| Total Special Education Cluster | | | <u>417,497</u> | | <u>552,085</u> | |
| Title I State Agency Program for Neglected and Delinquent Children and Youth: | | | | | | |
| Title 1, Part D Neglected, Delinquent, and At-Risk Youth | 049999-3M00-2011 | 84.013 | | | (995) | |
| Title 1, Part D Neglected, Delinquent, and At-Risk Youth | 049999-3M00-2012 | 84.013 | 21,143 | | 57,325 | |
| Title 1, Part D Neglected, Delinquent, and At-Risk Youth | 049999-3M00-2013 | 84.013 | 12,366 | | 14,837 | |
| Total Title I State Agency Program for Neglected and Delinquent Children and Youth | | | <u>33,509</u> | | <u>71,167</u> | |
| Title I Grants to Local Educational Agencies | | | | | | |
| Title I Grants to Local Educational Agencies | 049999-3M00-2011 | 84.010 | | | (34,841) | |
| Title I Grants to Local Educational Agencies | 049999-3M00-2012 | 84.010 | 59,045 | | 18,056 | |
| Title I Grants to Local Educational Agencies | 049999-3M00-2013 | 84.010 | 110,888 | | 170,107 | |
| Total Title I Cluster | | | <u>169,934</u> | | <u>153,322</u> | |
| Education Jobs Fund | 049999-3ET0-2012 | 84.410 | 62,913 | | 129,115 | |
| Educational Technology State Grants | 049999-3S20-2010 | 84.318 | | | (568) | |
| Educational Technology State Grants | 049999-3S20-2012 | 84.318 | 2,423 | | 2,423 | |
| | | | <u>2,423</u> | | <u>1,855</u> | |
| ARRA Race to the Top | 049999-3FD0-2012 | 84.395 | 45,605 | | 30,799 | |
| ARRA Race to the Top | 049999-3FD0-2013 | 84.395 | 29,860 | | 77,098 | |
| | | | <u>75,465</u> | | <u>107,897</u> | |
| Improving Teacher Quality State Grants | 049999-3Y60-2011 | 84.367 | | | (2,090) | |
| Improving Teacher Quality State Grants | 049999-3Y60-2012 | 84.367 | | | 9,998 | |
| Improving Teacher Quality State Grants | 049999-3Y60-2013 | 84.367 | 26,595 | | 39,758 | |
| Total Improving Teacher Quality | | | <u>26,595</u> | | <u>47,666</u> | |
| Total U.S. Department of Education | | | <u>788,336</u> | | <u>1,063,107</u> | |
| Totals | | | <u>\$1,330,968</u> | <u>\$54,645</u> | <u>\$1,605,739</u> | <u>\$54,645</u> |

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

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – NEGATIVE EXPENDITURES

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amount Transferred from 2013 to 2014</u> |
|---|--------------------|---|
| Improving Teacher Quality-Title IIA | 84.367 | \$ 71 |
| Title I Grants to Local Educational Agencies | 84.010 | \$ 833 |
| Title I Part D Neglected, Delinquent, and At Risk | 84.013 | \$ 3,742 |
| Special Education Grants to States | 84.027 | \$19,148 |



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Coventry Local School District, Summit County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2014, wherein we noted the District was placed in Fiscal Watch by the Auditor of State in May 1997.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-004 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

June 15, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Coventry Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Coventry Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education Cluster

As described in Finding 2013-005, we were unable to obtain sufficient documentation supporting the District's compliance with the requirements of the Special Education Cluster regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles nor were we able to satisfy ourselves as to the District's compliance with these requirements by other auditing procedures.

Qualified Opinion on Special Education Cluster

In our opinion, except for the effects of this noncompliance, if any, as we might have detected had we been able to examine sufficient evidence regarding the District's compliance with Special Education Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Coventry Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-005 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as item 2013-006 to be a significant deficiency.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

June 15, 2014

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**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Qualified – Special Education Cluster and Unmodified – Child Nutrition Cluster |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Special Education Cluster - CFDA #84.027; Child Nutrition Cluster - CFDA #10.553 & #10.555 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

FINDING NUMBER 2013-001

Noncompliance - Finding For Recovery – Overpayment

According to the Agreement between the Board of Education and OAPSE Local #131 Appendix C (Agreement), the Custodian Helper, Charles Kovein's, hourly rate should have been \$15.04. According to the payroll records and pay stubs, Mr. Kovein was incorrectly paid an hourly rate of \$15.59 for payroll period ending July 6, 2012 through December 6, 2013. The error seems to have been the result of a data entry error by the temporary payroll clerk.

Finding For Recovery – Overpayment (continued)

Additionally, Section 5.1 of the Agreement addresses “Rates for Substituting for Other Bargaining Unit Members” and indicates Mr. Kovein’s hourly rate should have been \$16.78 when he substituted for the position of Assistant Head Custodian and \$17.53 when he substituted for the position of Head Custodian. However, according to the payroll records and pay stubs, Mr. Kovein was incorrectly paid an hourly rate ranging from \$16.84 to \$16.93 and \$17.61 to \$17.74 respectively for aforementioned period.

As a result, an overpayment of \$1,227 occurred as calculated below.

| Position | Hourly Rate Paid | Hourly Rate Per Agreement (-) | Hourly Rate Overpaid (=) | Hours (x) | Overpayment (=) |
|----------------------------|-------------------------|--------------------------------------|---------------------------------|------------------|------------------------|
| Custodian Helper (step 4) | \$15.59 | \$15.04 | .55 | 1574 | \$865.70 |
| Custodian Helper (step 5) | \$15.59 | \$15.09 | .50 | 592 | \$296.00 |
| Custodian Helper Over Time | \$23.39 | \$22.56 | .83 | 36 | 29.88 |
| Assistant Head Custodian | \$16.91 | \$16.78 | .13 | 16 | \$2.08 |
| Assistant Head Custodian | \$16.93 | \$16.78 | .15 | 12 | \$1.80 |
| Assistant Head Custodian | \$16.84 | \$16.78 | .06 | 227.5 | \$13.65 |
| Head Custodian | \$17.74 | \$17.53 | .21 | 24 | \$5.04 |
| Head Custodian | \$17.61 | \$17.53 | .08 | 160 | \$12.80 |
| Head Custodian | \$17.71 | \$17.53 | .18 | 2.5 | \$.45 |
| Head Custodian Over Time | \$26.42 | \$26.30 | .12 | 3.5 | \$.42 |
| | | | | | <u>\$ 1,227</u> |

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Charles Kovein, Custodian Helper, in the amount of \$1,227, and in favor of the Coventry Local School District General Fund, in the amount of \$1,227.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

The Treasurer/Fiscal Officer of the School District signed the warrants resulting in improper payments. Aaron Butts, Treasurer/Fiscal Officer; and his bonding companies, Travelers Casualty and Surety Company of American; will be jointly and severally, liable in the amount of \$1,227, and in favor of the Coventry Local School District General Fund to the extent that recovery or restitution is not obtained from Charles Kovein, Custodian Helper.

Finding For Recovery – Overpayment (continued)

On May 5, 2014 the Fiscal Officer and Mr. Kovein agreed upon a repayment plan that will include repayment over 34 pays for the overpayment.

Official's Response: See corrective action plan.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness – Misposting of Revenues

Ohio Rev. Code § 5705.10 requires all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

The District posted \$200,000 of general property tax receipts into the Debt Service Fund in error.

The District should review all receipts and related supporting documentation prior to posting to help ensure all property tax settlements allocable to the General Fund are properly posted. The accompanying financial statements reflect this adjustment and the District's computerized accounting system was adjusted on May 31, 2014 to properly report the activity.

Official's Response: See corrective action plan.

FINDING NUMBER 2013-003

Material Weakness - Cash Reconciliations

During fiscal year 2013, the month-end bank to book reconciliations performed by the Treasurer/Chief Fiscal Officer and presented to Board on a monthly basis were not accurate. Bank reconciliations are performed as a means of accounting for the differences between the balances on the bank statements and the cash and investment balances according to the District's records at a specific point in time. The performance of accurate bank reconciliations is a necessary step in the internal control process over financial reporting.

The District initially presented two different June 30, 2013 bank reconciliations. The first bank reconciliation reported the District's book balance was in balance with the bank with no unreconciled difference. The second bank reconciliation reported an unreconciled difference of \$237. Both reconciliations showed the District reconciled its accounting system with the bank balances. However, upon testing, neither correctly reconciled the amount of cash in the bank to the fund balance in the District's accounting software for the following reasons:

- The District included outstanding payroll Automated Clearing House (ACH) amounts of \$53,567 which were only supported by documentation totaling \$40,879.
- Two of the six investment amounts on the initial reconciliation did not agree to the supporting documentation and account statements. One of the investments was valued at \$7,407 when the actual balance amount was \$6,907. The other investment was valued at \$48,368 when the actual balance was \$47,372.
- Two of the six investment amounts reported on the reconciliation represented Certificates of Deposit valued at \$38,713 and \$32,565 respectively. Both were cashed in and deposited in the District's bank account in June of 2013 and, therefore, were not actual reconciling items.

Cash Reconciliations (Continued)

- Supporting documentation was not maintained for a deleted payroll adjustment of \$23,829. Alternative audit procedures had to be performed by obtaining information from the District's computer consortium to determine the amount was improperly included on the reconciliation as a reconciling item because it had been posted prior to year-end.
- The District improperly netted outstanding payroll checks against outstanding ACH's.
- The District's fund balance on both the first and second bank reconciliations did not agree to the District's accounting system balance with variances of \$964 and \$120, respectively.
- Our preliminary reconciliation determined the District's bank balances did not reconcile to its book balance and varied by \$72,797 at June 30, 2013.

The District contracted with an accounting firm to perform the monthly bank reconciliations throughout fiscal year 2013 and a portion of fiscal year 2012. The accounting firm generated approximately 115 adjusting entries. The following issues were noted during testing of the final June 30, 2013 year-end bank reconciliation:

- Twenty adjusting items totaling \$144,391 were for SERS and STRS payments not posted at the proper amounts to the USAS system.
- Fifteen adjusting items totaling \$110,452 were for Medicare withholding payments that were under posted in the USAS system.
- Fifteen adjusting items totaling \$97,377 were due to mispostings of gross payroll amounts to the USAS system.
- Six adjusting items totaling \$4,766 were related to the receipt and payment of SERS and STRS from outside entities to the District. The District is required to remit these payments to the respective pension system on behalf of these entities. In addition, these receipts and payments were not recorded in the USAS system.
- Six adjusting items totaling \$41,301 related to mispostings of Federal and State tax withholding payments in the USAS system.
- Five adjusting items totaling \$9,825 related to under posting of receipts in the USAS system.
- Six adjusting items totaling \$762 related to under posting of local taxes in the USAS system.
- Thirty adjusting items totaling \$1,047 for various reasons including, but not limited to; NSF check adjustments, misposting of deposit amounts, and not posting bank fees to the USAS system.
- The District double paid a total of \$610 of employee tax remittances to the Cities of Massillon, North Canton and Cuyahoga Falls. The District has not requested the return of the overpayments from these Cities.
- Three adjustments related to the correction of a reversal entry for May - June 2012 employee health insurance contributions. These were received in fiscal year 2012, but reversed out by the District in June of 2013 in error. The three entries totaled \$115,196.

As a result of the bank reconciliation errors noted above and apparent prior year variances, an unreconciled difference of \$16,205 existed at year-end between the District's book and bank balance with the bank balance being greater.

The bank reconciliation process provides an independent verification of the accuracy of the accounting records and must be completed before preparing the financial statements.

Performance of accurate bank reconciliations confirms the amount of money the District has available and are a necessary part of the internal controls of the District, particularly in terms of identifying recording errors and fraud. Bank reconciliations should be performed each month by the Treasurer/Chief Fiscal Officer and those reconciliations should be reviewed for accuracy by the Superintendent and a designated council member and signed by these individuals to indicate their review and approval. When completed, these bank reconciliations should be presented to the Board for review and approval. In addition, to strengthen accountability procedures over pension payments, the District should enter all payments received from outside entities for pension payments within its USAS system.

Official's Response: See corrective action plan.

FINDING NUMBER 2013-004

Significant Deficiency - Budget vs. Actual Reporting

The Original Budgeted Revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Statements did not agree with the Original Certificate of Estimated Resources certified by the County Fiscal Officer. As a result, the Original Budgeted Revenues was overstated by \$1,229,502 due to the District's accounting system not agreeing with the Original Certificate of Estimated Resources.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Statements were adjusted to report the amounts based on the Original Certificates of Estimated Resources.

In order to help facilitate proper compilation of budget and actual statements, the District should ensure budgeted revenues are based on amounts certified by the County Fiscal Officer as listed on the Certificates of Estimated Resources.

Official's Response: See corrective action plan.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

Question Cost, Noncompliance, and Material Weakness

| | |
|------------------------------------|---|
| Finding Number | 2013-005 |
| CFDA Title and Number | Special Education – Grants to States – CFDA #84.027 |
| Federal Award Number / Year | 2013 and 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

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

- They must reflect an after-the-fact distribution of the actual activity of each employee;
- They must account for the total activity for which the employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Question Cost, Noncompliance, and Material Weakness (Continued)

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

In addition, **34 C.F.R. 80.22** sets limitations on the use of grant funds and **2 C.F.R. 225, Appendix A, Section C. (1.)(a)** requires, for a cost to be allowable under Federal awards, the cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

The following Special Education IDEA-B grant expenditures did not meet the basic guidelines for allowable costs noted above:

- The District charged salaries and benefits for several employees to the Special Education IDEA-B grant by performing reduction of expenditure adjustments. However, the District did not generate or maintain adequate documentation that identified employees by name or other proper support for the salary amounts and benefits to be allocated to the grant. Subsequent documentation provided also did not provide the required information. Therefore, lacking proper documentation to support these charges, we have identified a total of \$52,150 as questioned costs.
- The District charged financing charges of \$143 to the Special Education IDEA-B grant for late fees on credit card purchases associated with travel expenditures applied to the grant. This resulted in known questioned costs of \$143 (\$580 projected).
- The District made allocations of several substitute teachers' salaries to the Special Education IDEA-B grant. However, the employees these substitute teachers substituted for were not special education educators and the activity of the substitutes were not allowable expenditures to the grant. Therefore, these expenditures represent known questioned costs in the total amount of \$400 (\$8,466 projected).
- The District had five Special Education IDEA-B grant teachers and/or aides for whom a portion of their pay was charged to the Special Education IDEA-B grant with no semi-annual certifications, personal activity reports or other similar type documentation prepared or maintained.
- The District used rounded up dollar amounts of expenditures for salaries of substitutes allocated to the Special Education IDEA-B grant in the amount of \$840 more than was actually spent and supported by documentation. Therefore, these expenditures represent known questioned costs.

Therefore \$53,533 in expenditures are considered to be questioned costs of the Special Education IDEA-B program.

In order to help ensure costs allocated to the Special Education IDEA-B grant are properly accounted for and are allowable, the District should implement the following procedures:

- Generate and maintain detailed supporting documentation that identify employees by name for salaries and benefits charged to the grant.
- Review all costs charged to the Special Education IDEA-B grant to help ensure only allowable expenditures are charged to the grant.

Question Cost, Noncompliance, and Material Weakness (Continued)

- Review substitute teachers activity in the District's time-keeping system to help ensure only substitutes charged to the grant were those that, in fact, substituted for special education employees.
- Maintain personal activity reports, or equivalent documentation for all employees paid from any federal programs, in accordance with the requirements of 2 C.F.R. Part 225, Appendix B (8)(h). The District should only charge salaries to the Special Education IDEA-B program for employees whose work is directly related to the overall intent and purpose of the program. This will help ensure the District is in compliance with all federal time and effort documentation requirements. Furthermore, failure to maintain adequate time and effort documentation could compromise the District's eligibility to participate in future federal grant programs.
- Allocate only actual expenditures to the Special Education IDEA-B grant and refrain from using rounded up amounts.

Official's Response: See corrective action plan.

Significant Deficiency - Federal Awards Receipts and Expenditures Schedule

| | |
|------------------------------------|--|
| Finding Number | 2013-006 |
| CFDA Title and Number | Special Education – Grants to States – CFDA #84.027; Educational Technology State Grants – CFDA #84.318; Title I Grants to Local Educational Agencies – CFDA #84.010; Improving Teacher Quality State Grants – CFDA #84.367; Child Nutrition Cluster – CFDA #10.553 and 10.555 |
| Federal Award Number / Year | 2013, 2012, 2011 and 2010 |
| Federal Agency | U.S. Department of Education and U.S. Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

Office of Management and Budget (OMB) Circular A-133 Subpart C, §_310(b) Schedule of Expenditures of Federal Awards states the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. One of the minimum requirements is the schedule shall provide total federal awards expended for each individual federal program and the CFDA or other identifying number when the CFDA information is not available.

The District does not have an adequate process or system to track federal receipt and expenditure activity. This information is important for the preparation of the Federal Awards Receipts and Expenditures Schedule. Consequently, grant activity was inaccurately reported which could have an adverse effect on future grants awards by the awarding agency or agencies.

Significant Deficiency - Federal Awards Receipts and Expenditures Schedule

Various adjustments were proposed and made to the Federal Schedule including the adjustment of Special Education - Grants to States (CFDA #84.027) disbursements of \$9,936; Educational Technology State Grants (CFDA #84.318) disbursements of \$1,135; Title 1 Grants to Local Educational Agencies (CFDA #84.010) disbursements of \$67,376; Improving Teacher Quality State Grants (CFDA #84.367) disbursements of \$335; National School Lunch Program (CFDA #10.555) receipts and disbursements of \$416,631 and Food Donation Program (commodities) receipts and disbursements of \$54,645.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §_310(b), due care should be taken in the preparation of the Federal Awards Receipts and Expenditure Schedule. The Schedule should be reviewed after preparation and tied to underlying cash reports of the District for accuracy and evaluated for completeness.

Official's Response: See corrective action plan.

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2012-001 | Question cost/Significant Deficiency/Non-compliance; improper eligibility determinations the Nutrition Cluster | Yes | |
| 2012-002 | Significant Deficiency - OMB Circular A-133 §__.310; no adequate process in place to maintain or prepare an accurate Schedule of Federal Awards Receipts and Expenditures Schedule | No | Not Corrected; Reissued as 2013-006 |

**COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-------------------------------|----------------------------|
| 2013-001 | Mutually agreed upon repayment plan between Mr. Kovien and Coventry Local Schools over a 34 pay period of time which started with first pay in May 2014. | Collection ends June 30, 2015 | Aaron Butts |
| 2013-002 | Correction was completed on June 4, 2014. Individual was notified of the error. | June 4, 2014 | Aaron Butts |
| 2013-003 | Reconciliation adjustments were made and corrected. Individuals were notified of the errors. We will continue to monitor the reconciliation process. | March 20, 2014 and July 2014 | Aaron Butts |
| 2013-004 | Corrective action has been taken to help eliminate any further discrepancies. | June 30, 2014 | Aaron Butts |
| 2013-005 | Corrective action has been discussed with the appropriate departments to help eliminate any further discrepancies. | August 1, 2014 | Aaron Butts |
| 2013-006 | Corrective action has been discussed with the appropriate departments to help eliminate any further discrepancies. | June 30, 2014 | Aaron Butts |



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

June 15, 2014

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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
JULY 03, 2014**