

**Coventry Local
School District**
Financial Statements

June 30, 2009



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 19, 2010

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COVENTRY LOCAL SCHOOL DISTRICT

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COVENTRY LOCAL SCHOOL DISTRICT

For the Year Ended June 30, 2009

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2009

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The discussion and analysis of the Coventry Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- General Revenues accounted for nearly \$14.8 million in revenue or 66.8% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for approximately \$7.4 million or 33.2% of total revenues of \$22.2 million.
- Total program expenses were \$23.3 million in Governmental Activities.
- In total, net assets of Governmental Activities decreased approximately \$1.1 million from 2008.
- Outstanding bonded debt and notes decreased from \$3.3 million to \$2.9 million through the payment of bond and note principal.

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 Assets 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 Assets and the Statement of Activities

A question typically asked about the School District's finances "How did we do financially during fiscal year 2009?" The *Statement of Net Assets* 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, i.e., food service operations.

The government-wide financial statements begin on page 11.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the food service fund, which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for all funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with its budget.

The governmental fund financial statements begin on page 13.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 18.

Reporting the School District's Fiduciary Responsibilities

Fiduciary Funds – The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The 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 two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

(Table 1)
Net Assets

	Governmental Activities	
	2009	2008
Assets		
Current and Other Assets	\$ 9,933,812	\$ 10,881,249
Capital Assets	4,386,112	4,569,071
<i>Total Assets</i>	14,319,924	15,450,320
Liabilities		
Long-Term Liabilities	5,980,750	5,970,467
Other Liabilities	11,593,549	11,628,022
<i>Total Liabilities</i>	17,574,299	17,598,489
Net Assets		
Invested in Capital		
Assets, Net of Debt	1,483,112	1,399,071
Restricted	976,429	1,443,718
Unrestricted (Deficit)	(5,713,916)	(4,990,958)
<i>Total Net Assets</i>	\$ (3,254,375)	\$ (2,148,169)

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Overall, assets decreased by \$1,130,396 and liabilities decreased \$24,190 resulting in a decrease in net assets of \$1,106,206. Several significant changes occurred which caused the assets to decrease. Equity in pooled cash and cash equivalents decreased \$922,411 as a result of operating revenues of the general fund not keeping pace with operating costs.

Table 2 shows the changes in net assets for fiscal year 2009. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2009	2008
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services	\$ 5,346,086	\$ 5,393,763
Operating Grants	1,986,397	1,778,892
Capital Grants	25,777	16,154
<i>General Revenue:</i>		
Property Taxes	9,519,854	9,044,707
Grants and Entitlements	5,204,376	4,890,236
Other	90,300	209,746
<i>Total Revenues</i>	<u>22,172,790</u>	<u>21,333,498</u>
<i>Program Expenses</i>		
Instruction	12,661,930	12,262,464
Support Services	8,729,379	8,744,022
<i>Operation of Non-Instructional Services:</i>		
Food Service	818,458	744,420
Community Services	312,478	396,364
Extracurricular Activities	475,619	489,727
Interest and Fiscal Charges	281,132	222,131
<i>Total Expenses</i>	<u>23,278,996</u>	<u>22,859,128</u>
<i>Increase in Net Assets</i>	(1,106,206)	(1,525,630)
<i>Net Assets Beginning of Year</i>	<u>(2,148,169)</u>	<u>(622,539)</u>
<i>Net Assets End of Year</i>	<u>\$ (3,254,375)</u>	<u>\$ (2,148,169)</u>

Overall revenue increased 839,292 over fiscal year 2008. Program expenses increased \$419,868 in 2009. The increase in total program expenses reflects increases in operating expenses to provide instructional and support services to the students of the School District.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$14,814,530 or 66.8% of total revenue, which the most significant portion of the general revenue being local property taxes. The remaining amount of revenue received was in the form of program revenue which equaled \$7,358,260 or 33.2% of total revenue.

Instructional expenses comprise 54.4% of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, and food service encompassed an additional 42.4%. The remaining 3.3% of program expenses is used for other obligations of the School District such as extracurricular activities.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$22.2 million and expenses of \$23.3 million.

(Table 3)
Governmental Activities

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
Instruction	\$ 12,661,930	\$ 12,262,464	\$ (6,751,212)	\$ (6,711,905)
Support Services:				
Pupils and Instructional Staff	2,410,714	2,079,768	(2,168,883)	(1,615,056)
Board of Education, Administration				
Fiscal and Business	2,529,273	2,664,020	(2,425,306)	(2,595,088)
Operation and Maintenance of Plant	2,584,910	2,791,482	(2,584,910)	(2,791,482)
Pupil Transportation and Central	1,204,482	1,208,752	(1,168,979)	(1,127,376)
Operation of Non-Instructional Services:				
Food Service	818,458	744,420	(9,933)	(15,421)
Community Services	312,478	396,364	(106,981)	(156,924)
Extracurricular Activities	475,619	489,727	(423,400)	(434,936)
Interest Charges	281,132	222,131	(281,132)	(222,131)
<i>Total</i>	<u>\$ 23,278,996</u>	<u>\$ 22,859,128</u>	<u>\$ (15,920,736)</u>	<u>\$ (15,670,319)</u>

Instruction, Pupils and Instructional Staff a comprise 64.7% of governmental program expenses. Pupil Transportation, Central and the Operation/Maintenance of Plant account for 16.3% of governmental program expenses.

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

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues were \$21,698,167 and expenditures were \$23,065,176. The School District's only major fund, the general fund, reported a significant reduction in fund balance in the amount of \$1,351,953, which was caused by operating revenues not keeping pace with operating expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2009, there were several changes to the School District general fund budget. The School District bases its budgets according to needs of programs and functions.

For the general fund, final budgeted basis revenue, including other financing sources was \$21,918,534, which is over the original budget estimate of \$19,969,639. Of the \$1,948,895 increase, most was attributable to the issuance of a \$2,200,000 tax anticipation note during the fiscal year.

Final appropriations, including other financing uses, of \$22,364,282 were over original appropriations of \$20,594,909. This \$1,769,373 increase was primarily attributed to the repayment of a tax anticipation note issued during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$4,386,112 invested in land, building improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared with 2008 net of depreciation.

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

	Governmental Activities	
	2009	2008
Land	\$ 544,210	\$ 544,210
Buildings and Improvements	3,312,346	3,490,248
Furniture and Equipment	294,382	339,762
Vehicles	235,174	194,851
	\$ 4,386,112	\$ 4,569,071
<i>Totals</i>		

The \$182,959 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 9 to the basic financial statements for detail on the School District's capital assets.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Set-Asides

Senate Bill 345 requires the School District to set aside \$166.65 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2009, this amounted to \$360,984 for each set aside. The School District did not incur enough qualifying disbursements to completely offset these requirements for textbooks. See Note 19 for additional information.

Debt

At June 30, 2009, the School District had \$2,878,870 in bonds and notes outstanding with \$409,693 due within one year. During fiscal year 2009, \$393,002 of general obligation bonds and notes were retired. Table 5 summarizes bonds and notes outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2009	2008
Notes Payable:		
HB264 Energy Conservation Loan	\$ 400,581	\$ 457,609
Energy Conservation Loan Phase #2	450,703	504,441
Energy Conservation Loan Phase #3	602,586	639,822
	1,453,870	1,601,872
General Obligation Bonds Payable:		
School Improvement Bonds	1,425,000	1,670,000
<i>Total Debt</i>	\$ 2,878,870	\$ 3,271,872

HB 264 Energy Conservations Loans were used for window replacement at the Middle School and the Junior High School. All buildings were upgraded with more cost efficient lighting. The school improvement bonds were for improvements to the buildings and the bus acquisition bonds were use to purchase new buses. See Note 16 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues

Coventry Local School District receives approximately 32% of its revenue from the State and Federal governments. The School District does an additional 20% of its revenue from open enrollment. Future projections show a consistent enrollment. Special Education funding has declined for the past two years. Lastly, the School District loses revenue annually due to a decrease in tangible personal property taxes. The new funding system implemented in FY10 will be funded at 99%, with FY11 being funded at 98%. Because the district is currently on a transitional guarantee, any increases in funding will not result in any additional funds until the transitional guarantee is reduced to -0-. It is anticipated that this will take two to three years. In the meantime, state revenue will remain flat-lined.

Coventry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The School District, in turn, relies on its local property taxpayers. The last operating levy was passed in 2003, for 9.96 mills, 5-year emergency levy. This levy was renewed in 2008. The five-year forecast projects a deficit in fiscal year 2010. With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. In January of 2010, it was expected that the district would reach the 20 mill floor and tax revenue would begin to include inflationary increases with Collection Year 2010. Unfortunately, due to the economic downturn, the property values for the district actually declined, resulting in an increase in the effective millage rate and a move up instead from the 20 mill floor.

Due to a projected deficit for FY09, the district offered an early retirement severance plan to the highest paid employees, made personnel cuts of positions and hours effective January 1, 2009. Those cuts made it possible to end the fiscal year with a small positive balance. All district employees accepted a pay freeze for FY10, and positions were replacing with entry level employees to save on wages and benefits.

In November of 2009, the district placed a 4.99 mill 3-year Emergency Levy on the ballot, but was unsuccessful in passing the issue. It is likely that the district will make another attempt in May of 2010. It is imperative that additional revenue is generated for the district. Additional cuts will be made effective January 1, 2010 in an attempt to offset a projected \$600,000 deficit for June 30, 2010.

The School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, at Coventry Local School District, 3257 Cormany Road, Akron, OH 44319.

Coventry Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 202,519
Cash and Cash Equivalents in Segregated Accounts	50,288
Receivables:	
Accounts	7,792
Taxes	9,171,365
Intergovernmental	501,848
Nondepreciable Capital Assets	544,210
Depreciable Capital Assets (Net)	<u>3,841,902</u>
<i>Total Assets</i>	<u>14,319,924</u>
Liabilities	
Accounts Payable	309,931
Accrued Wages and Benefits	1,977,039
Intergovernmental Payable	688,024
Accrued Vacation Leave Payable	35,287
Matured Compensated Absences Payable	196,018
Deferred Revenue	7,889,268
Claims Payable	497,982
Long -Term Liabilities:	
Due Within One Year	566,449
Due in More Than One Year	<u>5,414,301</u>
<i>Total Liabilities</i>	<u>17,574,299</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,483,112
Restricted for:	
Debt Service	40,935
Capital Projects	95
Other Purposes	232,689
Set Asides	702,710
Unrestricted	<u>(5,713,916)</u>
<i>Total Net Assets</i>	<u>\$ (3,254,375)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 9,779,016	\$ 4,803,155	\$ 243,318	\$ 0	\$ (4,732,543)
Special	2,197,552	120,371	717,555	0	(1,359,626)
Vocational	150,753	10,000	8,602	0	(132,151)
Student Intervention Services	9,343	0	0	0	(9,343)
Other	525,266	0	7,717	0	(517,549)
Support Services:					
Pupils	1,197,658	0	0	0	(1,197,658)
Instructional Staff	1,213,056	0	241,831	0	(971,225)
Board of Education	53,683	0	0	0	(53,683)
Administration	1,918,874	0	65,440	0	(1,853,434)
Fiscal	488,614	0	0	0	(488,614)
Business	68,102	0	38,527	0	(29,575)
Operation and Maintenance of Plant	2,584,910	0	0	0	(2,584,910)
Pupil Transportation	1,043,378	0	0	25,777	(1,017,601)
Central	161,104	0	9,726	0	(151,378)
Operation of Non-Instructional Services					
Food Service Operations	818,458	360,341	448,184	0	(9,933)
Community Services	312,478	0	205,497	0	(106,981)
Extracurricular Activities	475,619	52,219	0	0	(423,400)
Interest and Fiscal Charges	281,132	0	0	0	(281,132)
Total Governmental Activities	\$ 23,278,996	\$ 5,346,086	\$ 1,986,397	\$ 25,777	(15,920,736)

General Revenues

Property Taxes Levied for:	
General Purposes	9,187,565
Debt Service	332,289
Grants and Entitlements not	
Restricted to Specific Programs	5,204,376
Investment Earnings	19,915
Miscellaneous	70,385
Total General Revenues	14,814,530
Change in Net Assets	(1,106,206)
Net Assets Beginning of Year	(2,148,169)
Net Assets End of Year	\$ (3,254,375)

See accompanying notes to the basic financial statements.

Coventry Local School District

Balance Sheet

Governmental Funds

June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 0	\$ 158,577	\$ 158,577
Cash and Cash Equivalents in Segregated Accounts	0	50,288	50,288
Restricted Cash and Cash Equivalents	6,258	0	6,258
Receivables:			
Accounts	7,792	0	7,792
Taxes	8,878,542	292,823	9,171,365
Interfund	7,864	0	7,864
Intergovernmental	296,833	205,015	501,848
<i>Total Assets</i>	<u>\$ 9,197,289</u>	<u>\$ 706,703</u>	<u>\$ 9,903,992</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 207,753	\$ 102,178	\$ 309,931
Accrued Wages and Benefits	1,821,392	155,647	1,977,039
Interfund Payable	0	7,864	7,864
Intergovernmental Payable	616,400	71,624	688,024
Accrued Vacation Payable	35,287	0	35,287
Matured Compensated Absences Payable	186,276	9,742	196,018
Deferred Revenue	8,406,054	397,418	8,803,472
<i>Total Liabilities</i>	<u>11,273,162</u>	<u>744,473</u>	<u>12,017,635</u>
Fund Balances			
Reserved for Encumbrances	0	41,220	41,220
Reserved for Property Taxes	871,417	28,740	900,157
Reserved for Textbooks/Instructional Materials	702,710	0	702,710
Unreserved, Undesignated, Reported in:			
General Fund	(3,650,000)	0	(3,650,000)
Special Revenue Funds	0	(107,825)	(107,825)
Capital Projects Funds	0	95	95
<i>Total Fund Balances</i>	<u>(2,075,873)</u>	<u>(37,770)</u>	<u>(2,113,643)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,197,289</u>	<u>\$ 706,703</u>	<u>\$ 9,903,992</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances	\$	(2,113,643)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,386,112
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 133,335	
Excess Cost	398,928	
Delinquent Property Taxes	381,940	914,203
Long-term liabilities, including bonds payable and capital leases, are not due and, payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds and Notes	(2,878,870)	
Capital Lease Payable	(1,478,000)	(4,356,870)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,091,880)	
Early Retirement Incentive	(532,000)	(1,623,880)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(460,297)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>(3,254,375)</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 9,072,103	\$ 328,451	\$ 9,400,554
Intergovernmental	5,423,665	1,669,593	7,093,258
Investment Income	19,915	0	19,915
Tuition and Fees	4,316,460	141,813	4,458,273
Extracurricular Activities	16,855	120,381	137,236
Charges for Services	93,662	360,341	454,003
Rentals	450	7,873	8,323
Gifts and Donations	0	56,222	56,222
Miscellaneous	68,078	2,305	70,383
<i>Total Revenues</i>	<u>19,011,188</u>	<u>2,686,979</u>	<u>21,698,167</u>
Expenditures			
Current:			
Instruction:			
Regular	9,009,518	483,772	9,493,290
Special	1,800,712	397,900	2,198,612
Vocational	169,953	0	169,953
Student Intervention Services	8,145	390	8,535
Other	518,354	6,912	525,266
Support Services:			
Pupils	1,138,300	2,223	1,140,523
Instructional Staff	901,347	273,018	1,174,365
Board of Education	53,683	0	53,683
Administration	1,823,585	47,937	1,871,522
Fiscal	499,587	0	499,587
Business	24,552	43,289	67,841
Operation and Maintenance of Plant	2,350,924	877	2,351,801
Pupil Transportation	1,049,937	8,230	1,058,167
Central	133,923	13,511	147,434
Operation of Non-Instructional Services:			
Food Service	0	808,370	808,370
Community Services	51,734	245,771	297,505
Extracurricular Activities	406,069	80,017	486,086
Capital Outlay	11,222	5,280	16,502
Debt Service:			
Principal Retirement	170,002	245,000	415,002
Interest and Fiscal Charges	207,626	73,506	281,132
<i>Total Expenditures</i>	<u>20,329,173</u>	<u>2,736,003</u>	<u>23,065,176</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,317,985)</u>	<u>(49,024)</u>	<u>(1,367,009)</u>
Other Financing Sources (Uses)			
Transfers In	1,032	35,089	36,121
Transfers Out	(35,000)	(1,121)	(36,121)
<i>Total Other Financing Sources and (Uses)</i>	<u>(33,968)</u>	<u>33,968</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,351,953)	(15,056)	(1,367,009)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(723,920)</u>	<u>(22,714)</u>	<u>(746,634)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (2,075,873)</u>	<u>\$ (37,770)</u>	<u>\$ (2,113,643)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds \$ (1,367,009)

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

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

Capital Asset Additions	\$ 143,351	
Current Year Depreciation	(326,294)	(182,943)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(16)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	69,171	
Excess Costs	286,151	
Delinquent Property Taxes	119,301	474,623

Repayment of principal in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Note Principal	148,002	
Bond Principal	245,000	
Capital Leases	22,000	415,002

Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated Absences	58,715	
Early Retirement Incentive	(484,000)	(425,285)

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

(20,578)

Net Change in Net Assets of Governmental Activities \$ (1,106,206)

Coventry Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 9,758,413	\$ 8,901,829	\$ 8,772,596	\$ (129,233)
Intergovernmental	4,688,864	5,530,950	5,423,665	(107,285)
Investment Income	100,736	20,309	19,915	(394)
Tuition and Fees	5,010,559	4,813,354	4,719,989	(93,365)
Extracurricular	9,123	17,188	16,855	(333)
Charges for Services	62,861	95,515	93,662	(1,853)
Rentals	1,017	459	450	(9)
Miscellaneous	37,820	14,349	14,071	(278)
<i>Total Revenues</i>	<u>19,669,393</u>	<u>19,393,953</u>	<u>19,061,203</u>	<u>(332,750)</u>
Expenditures				
Current:				
Instruction:				
Regular	9,259,042	8,939,536	8,869,320	70,216
Special	1,806,224	1,792,954	1,778,782	14,172
Vocational	244,410	184,716	183,256	1,460
Student Intervention Services	11,484	8,210	8,145	65
Other	31,378	521,089	516,970	4,119
Support Services				
Pupils	999,247	1,110,412	1,101,635	8,777
Instructional Staff	1,017,946	888,508	881,485	7,023
Board of Education	76,857	56,485	56,039	446
Administration	1,746,443	1,816,068	1,801,714	14,354
Fiscal	452,776	496,061	492,140	3,921
Business	35,504	24,966	24,769	197
Operation and Maintenance of Plant	2,873,585	2,266,450	2,248,536	17,914
Pupil Transportation	1,277,634	1,036,733	1,028,539	8,194
Central	160,172	120,542	119,589	953
Operation of Non-Instructional Services				
Community Services	19,023	63,194	62,695	499
Extracurricular Activities	231,649	404,955	401,754	3,201
Capital Outlay	13,280	11,311	11,222	89
Debt Service				
Principal Retirement	170,002	2,370,002	2,370,002	0
Interest & Fiscal Charges	168,253	207,626	207,626	0
<i>Total Expenditures</i>	<u>20,594,909</u>	<u>22,319,818</u>	<u>22,164,218</u>	<u>155,600</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(925,516)</u>	<u>(2,925,865)</u>	<u>(3,103,015)</u>	<u>(177,150)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	4,000	3,811	3,811	0
Refund of Prior Year Expenditures	20,000	42,494	42,494	0
Tax Anticipation Notes Issued	0	2,200,000	2,200,000	0
Transfers In	0	2,132	1,032	(1,100)
Advance In	276,246	276,144	276,144	0
Transfers Out	0	(36,600)	(35,000)	1,600
Advance Out	0	(7,864)	(7,864)	0
<i>Total Other Financing Sources (Uses)</i>	<u>300,246</u>	<u>2,480,117</u>	<u>2,480,617</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	<u>(625,270)</u>	<u>(445,748)</u>	<u>(622,398)</u>	<u>(176,650)</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	456,704	456,704	456,704	0
Prior Year Encumbrances Appropriated	171,952	171,952	171,952	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,386</u>	<u>\$ 182,908</u>	<u>\$ 6,258</u>	<u>\$ (176,650)</u>

See accompanying notes to the basic financial statements.

Coventry Local School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2009

	Governmental Activities Internal Service Fund
Assets	
Equity in Pooled Cash and Investments	<u>\$ 37,685</u>
Liabilities	
Claims Payable	<u>497,982</u>
Net Assets	
Unrestricted	<u><u>\$ (460,297)</u></u>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges for Services	\$ 3,156,917
Operating Expenses	
Purchased Services	251,777
Claims	2,925,718
<i>Total Operating Expenses</i>	3,177,495
<i>Operating Income (Loss)</i>	(20,578)
<i>Net Assets (Deficit) Beginning of Year</i>	(439,719)
<i>Net Assets (Deficit) End of Year</i>	\$ (460,297)

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Governmental Activities Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
<i>Decrease in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 3,156,917
Cash Paid for Goods and Services	(251,777)
Cash Paid for Claims	(2,953,142)
	<hr/>
<i>Net Cash Used For Operating Activities</i>	(48,002)
	<hr/>
<i>Net Decrease in Cash and Cash Equivalents</i>	(48,002)
	<hr/>
<i>Cash and Cash Equivalents at Beginning of Year</i>	85,687
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 37,685
	<hr style="border-top: 3px double #000;"/>
Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	\$ (20,578)
Adjustments:	
Decrease in Liabilities	
Claims Payable	(27,424)
	<hr/>
<i>Total Adjustments</i>	(27,424)
	<hr/>
<i>Net Cash Used For Operating Activities</i>	\$ (48,002)
	<hr style="border-top: 3px double #000;"/>

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Invesetments	\$ 500	\$ 78,057
Cash and Cash Equivalents in Segregated Accounts	39,235	0
Investments in Segregated Accounts	20,200	0
<i>Total Assets</i>	59,935	78,057
Liabilities		
Accounts Payable	\$ 0	\$ 17,183
Due to Students	0	60,874
<i>Total Liabilities</i>	0	78,057
Net Assets		
Held in Trust for Scholarships	\$ 59,935	

See accompanying notes to the basic financial statements.

Coventry Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions	
Interest	\$ 2,433
Deductions	
Payments in Accordance with Trust Agreements	4,994
<i>Change in Net Assets</i>	(2,561)
<i>Net Assets Beginning of Year</i>	62,496
<i>Net Assets End of Year</i>	\$ 59,935

See accompanying notes to the basic financial statements.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 - Description of the School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's six instructional support facilities staffed by 125 classified employees and 190 certified full-time teaching personnel who provide services to 1,676 students and other community members.

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

Reporting Entity

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

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

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies

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

Implementation of New Accounting Policies

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments," GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

A. Basis of Presentation

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

B. Fund Accounting

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

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

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

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

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

C. Measurement Focus

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

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

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

Private purpose trust funds are reported using the economic resources measurement focus.

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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 investments" on the balance sheet. The School District has segregated a portion of cash balances, reported as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" which are for special trusts and private purpose trust funds.

During fiscal year 2009, investments were limited to stocks, certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Repurchase agreements are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$19,915 which includes \$12,712 assigned from other School District funds.

F. Restricted Assets

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

G. Capital Assets

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

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

All reported capital assets except land and construction in process 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:

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

H. Compensated Absences

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

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

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

I. Accrued Liabilities and Long-term Obligations

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

J. Net Assets

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

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

K. Fund Balance Reserves

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

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

L. Operating Revenues and Expenses

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

M. Interfund Activity

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 2009.

O. Estimates

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

P. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 – Accountability and Compliance

A. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$ 2,075,873
Nonmajor Governmental Funds:	
Food Service	330,328
District Managed Students Activities	11,672
Auxiliary Services	26,496
Public School Pre-school	18,913
Miscellaneous State Grants	2,304
IDEA Part B Special Education	22,003
Title I	9,178
IDEA Preschool Grant	1,958
Improving Teacher Quality	3,694

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

B. Compliance

1. Contrary to Ohio Revised Code Section 5705.10, the School District has negative cash balances at year end.
2. Contrary to Ohio Revised Code Section 5705.41(B), the School District has expenditures exceeding appropriations at year end.

Note 4 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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).

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

Net Change in Fund Balance

GAAP Basis	\$ (1,351,953)
Net Adjustment for Revenue Accruals	56,947
Advances In	276,144
Net Adjustment for Expenditure Accruals	404,328
Advances Out	<u>(7,864)</u>
Budget Basis	<u><u>\$ (622,398)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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 2009, the School District and public depositories complied with the provisions of these statutes.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 \$(78,924) and the bank balance was \$6,334. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2009, the entire bank balance of \$6,334 was covered by Federal Deposit Insurance Corporation.

Investments - Investments are reported at fair value. As of June 30, 2009, the School District had the following investments:

	Fair Value	Maturity	
		0-12 Months	Greater Than 12 Months
Sweep Repurchase Agreement	\$ 360,000	\$ 360,000	\$ 0
Certificates of Deposit	89,523	51,061	38,462
Stocks	20,200	20,200	0
<i>Total</i>	\$ 469,723	\$ 431,261	\$ 38,462

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledging by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. 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 and overnight repurchase account exceeded more than 5% 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, 2009:

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Investment Type	Fair Value	Percent of Total
Sweep Repurchase Agreement	\$ 360,000	76.64%
Certificates of Deposit	89,523	19.06%
Stocks	20,200	4.30%
<i>Total</i>	\$ 469,723	100.00%

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

The amount available as an advance at year-end was \$871,417 in the general fund and \$28,740 in the bond retirement debt service fund, and is recognized as revenue on the fund financial statements.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Valuation	%	Valuation	%
Agricultural/Residential and Other Real Estate	\$ 263,011,870	81.31%	\$ 261,369,860	81.68%
Commercial/Industrial	51,895,920	16.04%	51,760,800	16.18%
Public Utility				
Personal	5,820,430	1.80%	6,174,530	1.93%
Tangible Personal				
Property	2,739,245	0.85%	658,854	0.21%
Total	<u>\$ 323,467,465</u>	<u>100.00%</u>	<u>\$ 319,964,044</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 65.43</u>		<u>\$ 65.53</u>	

Note 7 - Interfund Transactions

Interfund balances at June 30, 2009 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 7,864	\$ 0
Nonmajor Governmental Fund	0	7,864
Total	<u>\$ 7,864</u>	<u>\$ 7,864</u>

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2009, all interfund payables outstanding are anticipated to be repaid in fiscal year 2010.

The following is a summarized breakdown of the School District's transfers for fiscal year 2009:

	Transfers In	Transfers Out
General Fund	\$ 1,032	\$ 35,000
Nonmajor Governmental Funds	35,089	1,121
	\$ 36,121	\$ 36,121

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers into the general fund from other nonmajor governmental funds were due to the termination of activity in the various nonmajor funds as allowed by Ohio Revised Code 5705.14(D).

Note 8 - Receivables

Receivables at June 30, 2009 consisted of taxes, accounts, 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.

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Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Reductions	Balance 6/30/09
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 544,210	\$ 0	\$ 0	\$ 544,210
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	9,014,442	0	0	9,014,442
Furniture and Equipment	2,109,042	45,211	(51,582)	2,102,671
Vehicles	794,100	98,140	0	892,240
<i>Total Capital Assets, being depreciated</i>	11,917,584	143,351	(51,582)	12,009,353
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,524,194)	(177,902)	0	(5,702,096)
Furniture and Equipment	(1,769,280)	(90,575)	51,566	(1,808,289)
Vehicles	(599,249)	(57,817)	0	(657,066)
<i>Total Accumulated Depreciation</i>	(7,892,723)	(326,294)	51,566	(8,167,451)
<i>Total Capital Assets being depreciated, net</i>	4,024,861	(182,943)	(16)	3,841,902
<i>Governmental Capital Assets, net</i>	\$ 4,569,071	\$ (182,943)	\$ (16)	\$ 4,386,112

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 49,306
Special	3,896
Vocational	859
Other	808
Support Services:	
Pupil	1,021
Instructional Staff	8,235
Administration	409
Operation and Maintenance of Plant	193,787
Pupil Transportation	50,889
Operation of Non Instructional Services:	
Food Service	5,571
Community Services	8,562
Extracurricular Activities	2,951
Total Depreciation	\$ 326,294

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 10 - Risk Management

Property and Liability

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

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

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

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

Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

Self Insurance

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2009, a total expense of \$3,177,495 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$497,982 reported in the fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as interfund transactions.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Changes in the fund's claims liability amount in 2008 and 2009 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>
2009	\$	525,406	2,925,718	2,953,142	\$	497,982
2008	\$	337,462	3,050,629	2,862,685	\$	525,406

Note 11 – Employee Benefits

A. 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.

B. Early Retirement Incentive

Employees with twelve or more years of service with the School District are eligible for the early retirement incentive plan. Employees who have retired and were subsequently rehired are not eligible for the plan. In accordance with the terms of the plan, the School District agrees to provide the severance incentive payments described in the plan to a 403(b) contract or directly to the employee, provided the employee fulfills his or her contractual obligations through the employee's exit date of June 30, 2009 (or an alternate exit date determined by the School District based on operational and educational needs). The early retirement incentive payments range from \$10,000 to \$40,000 per employee, depending upon the salary and position of the employee at the time of retirement, and are paid in three equal annual installments, beginning in fiscal year 2010.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 12 – Defined Benefit 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s contributions for pension obligations to SERS for the years ended June 30, 2009, 2008 and 2007 were \$272,218, \$247,980 and \$314,032, respectively; 40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,225,226, \$1,116,941 and \$1,170,956, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$11,624 made by the School District and \$18,124 made by the plan members.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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 401h. For 2009, 4.91 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$124,579, \$113,161, and \$100,561, respectively; 40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$22,460, \$17,868, and \$19,406, respectively; 40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health 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. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. 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 Health 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 Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008 (the latest information available), 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, 2009, 2008, and 2007 were \$94,248, \$85,919, and \$90,074, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 14 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

The Coventry Local School District is party to legal proceedings. The School District's management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 15 – Notes Payable

Note activity for the year ended June 30, 2009, consisted of the following:

	Outstanding 6/30/2008	Issued	Retired	Outstanding 6/30/2009
Tax Anticipation Notes				
3.64% Maturity 6/15/09	\$ 0	\$ 2,200,000	\$ 2,200,000	\$ 0

The notes were backed by the full faith and credit of the School District.

Note 16 - Long - Term Obligations

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

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009	Due Within One Year
Governmental Activities					
<i>Notes Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 457,609	\$ 0	\$ 57,028	\$ 400,581	\$ 59,606
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2005	504,441	0	53,738	450,703	56,167
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	639,822	0	37,236	602,586	38,920
Total Notes Payable	1,601,872	0	148,002	1,453,870	154,693
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	1,670,000	0	245,000	1,425,000	255,000
<i>Other Long-Term Liabilities</i>					
Capital Leases	1,500,000	0	22,000	1,478,000	53,000
Compensated Absences	1,150,595	9,252	67,967	1,091,880	27,255
Early Retirement Incentive	48,000	500,000	16,000	532,000	76,501
Total Other Long-Term Liabilities	2,698,595	509,252	105,967	3,101,880	156,756
Total Governmental Activities Long-Term Liabilities	\$ 5,970,467	\$ 509,252	\$ 498,969	\$ 5,980,750	\$ 566,449

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

The energy conservation notes and school improvement bonds will be paid from the general and 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 have been paid from the general fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	School Improvement		
	Principal	Interest	Total
2010	\$ 255,000	\$ 61,632	\$ 316,632
2011	270,000	49,163	319,163
2012	285,000	35,981	320,981
2013	300,000	22,087	322,087
2014	315,000	7,481	322,481
Total	<u>\$ 1,425,000</u>	<u>\$ 176,344</u>	<u>\$ 1,601,344</u>

Principal and interest requirements to retire notes outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Loans		
	Principal	Interest	Total
2010	\$ 154,693	\$ 65,730	\$ 220,423
2011	161,687	58,737	220,424
2012	168,997	51,427	220,424
2013	176,638	43,786	220,424
2014	184,624	35,800	220,424
2015-2019	483,367	78,253	561,620
2020-2021	123,864	8,462	132,326
Total	<u>\$ 1,453,870</u>	<u>\$ 342,195</u>	<u>\$ 1,796,065</u>

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

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17 - Capitalized Leases

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

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.

	Fiscal Year Ending June 30, 2010	\$ 126,457
	2011	125,822
	2012	125,089
	2013	124,256
	2014	124,324
	2015-2019	612,914
	2020-2024	597,334
	2025-2028	<u>465,384</u>
Total		<u>2,301,580</u>
Less: Amount Representing Interest		<u>(823,580)</u>
Present Value of Net Minimum Lease Payments		<u><u>\$ 1,478,000</u></u>

Note 18 - Jointly Governed Organizations and Public Entity

Northeast Ohio Network for Educational Technology

The Northeastern Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2009 the School District paid approximately \$78,107 to NEONET for basic service charges.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Portage Lakes Career Center

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

Interval Opportunity School

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

Note 19 - Statutory Reserves

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
	<u> </u>	<u> </u>	<u> </u>
Set-Aside Cash Balance as of June 30, 2008	\$ 0	\$ 484,393	\$ 484,393
Current Year Set-Aside Requirement	360,984	360,984	721,968
Qualifying Disbursements	(614,219)	(142,667)	(756,886)
Total	<u>\$ (253,235)</u>	<u>\$ 702,710</u>	<u>\$ 449,475</u>
Cash Balance Carried Forward FY 2009	<u>\$ 0</u>	<u>\$ 702,710</u>	<u>\$ 702,710</u>
Restricted Cash			<u>\$ 702,710</u>

During the year, the School District determined there were additional qualifying disbursements for capital acquisition during the prior year, which reduced the set-aside about below zero. This is reflected in the table above.

Coventry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The School District did not have qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero, and is required to establish a fund balance reserve.

Cash balances in the general fund were not sufficient enough to report the full amount of equity in pooled cash and cash equivalents (restricted) for statutory reserves on the balance sheet. As a result, only \$6,258 of the total \$702,710 is reported.

Note 20 - Fiscal Watch

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

Note 21 – Subsequent Event

On July 2, 2009, the School District issued \$1,000,000 in tax anticipation notes for the purpose of paying current expenses. The notes were issued with an interest rate of 3.25% and mature on February 26, 2010.



December 28, 2009

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District (the "School District") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Coventry Local School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
December 28, 2009
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that have been reported to management of the School District in a separate letter dated December 28, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-001 and 2009-002.

We also noted certain matters that we reported to management of the School District in a separate letter dated December 28, 2009.

The School 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 School District's response and, accordingly, we express no opinion on it.

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

Hea & Associates, Inc.



December 28, 2009

To the Board of Education
Coventry Local School District
Coventry, OH 44319

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

Compliance

We have audited the compliance of the Coventry Local School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

We noted a certain matter that we reported to management of the School District in a separate letter dated December 28, 2009.

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

Hea & Associates, Inc.

COVENTRY LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Education				
(Passed Through Ohio Department of Education):				
Title I	84.010	Neglected 07-08	\$ 0	\$ 0
Title I	84.010	Neglected 08-09	18,043	18,839
Title I	84.010	2007-2008	0	26,757
Title I	84.010	2008-2009	157,127	145,702
Total Title I			175,170	191,298
<i>Special Education Cluster</i>				
IDEA-B	84.027	2007-2008	0	4,117
IDEA-B	84.027	2008-2009	396,966	377,149
Total IDEA-B			396,966	381,266
Preschool Grants	84.173	2007-2008	1,839	3,267
Preschool Grants	84.173	2008-2009	14,018	14,194
Preschool Grants	84.173	2008-2009	2,933	2,934
Total Preschool Grants			18,790	20,395
<i>Total Special Education Cluster</i>			415,756	401,661
Safe and Drug-Free Schools and Communities	84.186	2007-2008	189	1,641
Safe and Drug-Free Schools and Communities	84.186	2008-2009	5,603	2,516
Total Safe and Drug-Free Schools and Communities			5,792	4,157
Title V	84.298	2007-2008	2,469	0
Title V	84.298	2008-2009	5,184	904
Total Title V			7,653	904
Title II-D	84.318	2007-2008	205	984
Title II-D	84.318	2008-2009	1,787	1,382
Total Title II-D			1,992	2,366
Title II-A	84.367	2007-2008	31,602	8,192
Title II-A	84.367	2008-2009	62,830	58,062
Total Title II-A			94,432	66,254
Title III-A	84.365	2008-2009	232	0
Total Department of Education			701,027	666,640
U.S. Department of Health and Human Services				
(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)				
Medical Assistance Program/CAFS	93.778		90,245	0
Total Department of Health and Human Services			90,245	0
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Nutrition Cluster</i>				
School Breakfast Program (B)	10.553		83,209	98,142
Total School Breakfast Program			83,209	98,142
National School Lunch Program (B)	10.555		253,994	294,125
Total National School Lunch Program			253,994	294,125
Food Distribution Program (A)(B)	10.555		41,600	41,600
Total Food Distribution Program			41,600	41,600
<i>Total Nutrition Cluster</i>			378,803	433,867
Total Department of Agriculture			378,803	433,867
Total Federal Assistance			1,170,075	1,100,507

See accompanying notes to the schedule of expenditures of federal awards.

Coventry City School District
Summit County, Ohio

Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2009

Note A - Child Nutrition Cluster

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

Note B – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C - Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>	<u>Program</u> <u>Year</u>	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>
84.010	Title I Grants to Local Educational Agencies	2008	\$ 44,517	
84.010	Title I Grants to Local Educational Agencies	2009		\$ 44,517
84.367	Title II-A Improving Teacher Quality State Grant	2008	3,516	
84.367	Title II-A Improving Teacher Quality State Grant	2009		3,516
84.318	Title II-D Technology Literacy Quality	2008	983	
84.318	Title II-D Technology Literacy Quality	2009		983
84.186	Title IV-A Safe and Drug-Free Schools	2008	3,743	
84.186	Title IV-A Safe and Drug-Free Schools	2009		3,743
84.027	Title VI-B Special Education - Grants to States	2008	24,446	
84.027	Title VI-B Special Education - Grants to States	2009		24,446
84.173	Special Education - Preschool Grants	2008	448	
84.173	Special Education - Preschool Grants	2009		448
84.298	Title V Innovative Programs	2008	4,052	
84.298	Title V Innovative Programs	2009		4,052

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster	CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

MATERIAL NON-COMPLIANCE

FINDING NUMBER	2009-001
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Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. Negative fund cash balances indicate that money from one fund was used to cover the expenses of another fund. Ohio Rev. Code Section 3315.20 provides an exception for special revenue funds if the following conditions are met. The School District must have a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made; and the unspent unencumbered balance in the School District's general fund is greater than the aggregate of deficit amounts in all of the School District's special revenue funds. The School District had one fund with a negative balance at year end and did not meet the exceptions listed above. The negative cash fund balance existed in the Food Service Fund (006) in the amount of \$309,263.

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2009

FINDING NUMBER	2009-001 (Continued)
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Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Client's Response

The Food Services fund historically ended the past ten+ years with a growing negative balance. Five years ago, the department was shut down for the majority of the school year. The program was restructured to reduce labor costs, maximize revenue and enhance the menu offering with the goal of operating the department in the black and eventually eliminating the accumulated deficit.

Each year, the general fund would advance funds to the food services fund to end the year with a -0- balance. Since the reopening of the cafeterias, the department has operated with a profit. Each year's operational profits have reduced the outstanding deficit.

Due to the current fiscal conditions of the district and declining revenue, it was not possible to advance general fund money to cover this previous deficit in the food services fund.

FINDING NUMBER	2009-002
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Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. As of June 30, 2009, the School District had expenditures exceeding appropriations in the Food Service Fund (006) in the amount of \$254,199.

We recommend the School District monitor expenses and ensure appropriations are available prior to approving the purchase order.

Client's Response

Expenditures exceeded appropriations because the appropriations were not estimated for the entire year, nor increased on a regular basis as revenue was received. In the future, an estimated budget will be carefully created and appropriated based on annual estimated revenue and historical expenses. This was an oversight during the input of FY09 budgets and will be corrected in FY10.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None noted.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 28, 2009

Coventry Local School District
3257 Cormany Rd.
Akron, OH 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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Coventry Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (2) A procedure for reporting prohibited incidents;
 - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (4) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. The policy excluded the following required elements:
- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (3) A procedure for documenting any prohibited incident that is reported;
 - (4) A procedure for responding to and investigating any reported incident;
 - (5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 1, 2010