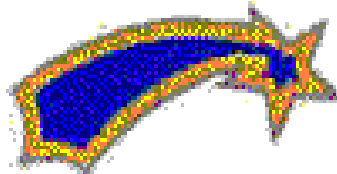


# ***AUDIT REPORT***

***JULY 1, 2002 THROUGH JUNE 2003***



## ***COVENTRY LOCAL SCHOOL DISTRICT***

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**MOORE STEPHENS APPLE**  
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS





**Auditor of State  
Betty Montgomery**

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 Moore Stephens Apple, for the audit period July 1, 2002 to June 30, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 12, 2004

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# COVENTRY LOCAL SCHOOL DISTRICT

## Financial Statements June 30, 2003

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## Independent Auditors' Report

To the Board of Education  
Coventry Local School District

We have audited the accompanying financial statements of Coventry Local School District (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's Management. Our responsibility is to express an opinion 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 opinion.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note B, the District prepares its financial statements and notes on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of June 30, 2003 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audit was performed for the purpose of forming an opinion on the financial statements of Coventry Local School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly state, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Moore Stephens Apple*

Akron, Ohio

December 29, 2003

**Coventry Local School District**  
**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in**  
**Fund Cash Balances – All Governmental Fund Types and Similar Trust Fund**  
**For the Fiscal Year Ended June 30, 2003**

|   | Governmental Fund Types |                    |                  |                     | Fiduciary           | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|------------------|---------------------|---------------------|--------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Expendable<br>Trust |                                |
| <b>Cash Receipts</b>                    |                         |                    |                  |                     |                     |                                |
| Taxes                                   | \$ 5,405,938            | \$ -               | \$ 1,243,226     | \$ 105,591          | \$ -                | \$ 6,754,755                   |
| Tuition and Fees                        | 4,095,477               | 60,950             | -                | -                   | -                   | 4,156,427                      |
| Intergovernmental                       | 4,993,110               | 994,658            | -                | 54,548              | -                   | 6,042,316                      |
| Interest                                | 20,776                  | -                  | -                | -                   | 2,279               | 23,055                         |
| Extracurricular Activities              | -                       | 164,264            | -                | -                   | -                   | 164,264                        |
| Charges for Services                    | 13,127                  | -                  | -                | -                   | -                   | 13,127                         |
| Other                                   | 215,020                 | 31,734             | -                | -                   | 14,346              | 261,100                        |
| <b>Total Cash Receipts</b>              | <u>14,743,448</u>       | <u>1,251,606</u>   | <u>1,243,226</u> | <u>160,139</u>      | <u>16,625</u>       | <u>17,415,044</u>              |
| <b>Cash Disbursements</b>               |                         |                    |                  |                     |                     |                                |
| <b>Current</b>                          |                         |                    |                  |                     |                     |                                |
| <b>Intruction</b>                       |                         |                    |                  |                     |                     |                                |
| Regular                                 | 7,186,315               | 445,273            | -                | 16,527              | 26,225              | 7,674,340                      |
| Special                                 | 1,335,198               | 173,393            | -                | -                   | -                   | 1,508,591                      |
| Vocational                              | 198,525                 | 8,134              | -                | -                   | -                   | 206,659                        |
| Other                                   | 433,078                 | -                  | -                | -                   | -                   | 433,078                        |
| <b>Support Services</b>                 |                         |                    |                  |                     |                     |                                |
| Pupil                                   | 884,782                 | 60,629             | -                | -                   | -                   | 945,411                        |
| Instructional Staff                     | 619,113                 | 142,572            | -                | 42,460              | -                   | 804,145                        |
| Board of Education                      | 32,746                  | -                  | -                | -                   | -                   | 32,746                         |
| Administration                          | 1,624,813               | 21,000             | -                | 200                 | -                   | 1,646,013                      |
| Fiscal                                  | 336,889                 | -                  | -                | 1,396               | -                   | 338,285                        |
| Business                                | 36,050                  | -                  | -                | 10,383              | -                   | 46,433                         |
| Operation and Maintenance of Plant      | 1,518,173               | 3,239              | -                | 47,094              | -                   | 1,568,506                      |
| Pupil Transportation                    | 696,791                 | 5,064              | -                | -                   | -                   | 701,855                        |
| Central                                 | 120,027                 | 23,948             | -                | -                   | -                   | 143,975                        |
| Community Service                       | 3,017                   | 312,925            | -                | -                   | -                   | 315,942                        |
| Extracurricular Activities              | 245,692                 | 67,370             | -                | -                   | -                   | 313,062                        |
| Capital Outlay                          | 304                     | 551                | -                | -                   | -                   | 855                            |
| <b>Debt Service</b>                     |                         |                    |                  |                     |                     |                                |
| Principal and Interest                  | 88,573                  | -                  | 1,243,226        | 88,378              | -                   | 1,420,177                      |
| <b>Total Cash Disbursements</b>         | <u>15,360,086</u>       | <u>1,264,098</u>   | <u>1,243,226</u> | <u>206,438</u>      | <u>26,225</u>       | <u>18,100,073</u>              |
| <b>Total Cash Receipts Over (under)</b> |                         |                    |                  |                     |                     |                                |
| Disbursements                           | (616,638)               | (12,492)           | -                | (46,299)            | (9,600)             | (685,029)                      |

(Continued)

The accompanying notes are an integral part of these statements.



**Coventry Local School District**  
**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in**  
**Fund Cash Balances – All Governmental Fund Types and Similar Trust Fund**  
**For the Fiscal Year Ended June 30, 2003**

|  | Governmental Fund Types |                    |                 |                     | Fiduciary           | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|-----------------|---------------------|---------------------|--------------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Expendable<br>Trust |                                |
| OTHER FINANCING SOURCES (USES):  |                         |                    |                 |                     |                     |                                |
| Sale of Assets   | \$ 5,307                | \$ -               | \$ -            | \$ -                | \$ -                | \$ 5,307                       |
| Refund of prior year expenditures  | 3,393                   | -                  | -               | -                   | -                   | 3,393                          |
| Advances In  | 215,299                 | 2,627              | -               | -                   | -                   | 217,926                        |
| Advances Out   | (271,120)               | (70,420)           | -               | -                   | -                   | (341,540)                      |
| Operating Transfers In   | -                       | 23,068             | -               | -                   | -                   | 23,068                         |
| Operating Transfers Out  | (28,782)                | (176)              | -               | -                   | -                   | (28,958)                       |
| Proceeds from Sale of Notes  | 850,000                 | -                  | -               | -                   | -                   | 850,000                        |
| Total Other Financing Sources (Uses)   | <u>774,097</u>          | <u>(44,901)</u>    | <u>-</u>        | <u>-</u>            | <u>-</u>            | <u>729,196</u>                 |
| Excess of Cash Receipts and Other Financing<br>Sources Over (Under) Cash Disbursements<br>and Other Financing Uses | 157,459                 | (57,393)           | -               | (46,299)            | (9,600)             | 44,167                         |
| Fund Balances at<br>Beginning of Year  | <u>194,492</u>          | <u>331,360</u>     | <u>-</u>        | <u>117,595</u>      | <u>96,274</u>       | <u>739,721</u>                 |
| Fund Balances at<br>End of Year  | <u>\$ 351,951</u>       | <u>\$ 273,967</u>  | <u>\$ -</u>     | <u>\$ 71,296</u>    | <u>\$ 86,674</u>    | <u>\$ 783,888</u>              |
| Reserve for Encumbrances   | <u>\$ 45,588</u>        | <u>\$ 131,951</u>  | <u>\$ -</u>     | <u>\$ 7,278</u>     | <u>\$ 6,539</u>     | <u>\$ 191,356</u>              |

The accompanying notes are an integral part of these statements.

**Coventry Local School District**  
**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in**  
**Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types**  
**For the Fiscal Year Ended June 30, 2003**

|  | Proprietary Fund Types |                   | Fiduciary<br>Fund<br>Type | Totals<br>(Memorandum<br>Only) |
|--|------------------------|-------------------|---------------------------|--------------------------------|
|  | Enterprise             | Internal          | Agency                    |                                |
|  |                        | Service           |                           |                                |
| Operating Cash Receipts                            |                        |                   |                           |                                |
| Sales  | \$ 385,896             | \$ -              | \$ -                      | \$ 385,896                     |
| Charges for Services                               | 214,126                | 2,304,489         | -                         | 2,518,615                      |
| Extracurricular Activities                         | -                      | -                 | 145,519                   | 145,519                        |
| Other  | -                      | -                 | 1,461                     | 1,461                          |
| Total Operating Cash Receipts                      | <u>600,022</u>         | <u>2,304,489</u>  | <u>146,980</u>            | <u>3,051,491</u>               |
| Operating Cash Disbursements                       |                        |                   |                           |                                |
| Salaries and Wages                                 | 328,785                | -                 | -                         | 328,785                        |
| Fringe Benefits                                    | 135,217                | -                 | -                         | 135,217                        |
| Contract Services                                  | 43,260                 | 248,559           | 27,747                    | 319,566                        |
| Cost of Sales                                      | 243,003                | -                 | -                         | 243,003                        |
| Claims   | -                      | 1,831,299         | -                         | 1,831,299                      |
| Materials and Supplies Expense                     | 63,834                 | -                 | -                         | 63,834                         |
| Other  | 87,201                 | -                 | 122,748                   | 209,949                        |
| Total Operating Cash Disbursements                 | <u>901,300</u>         | <u>2,079,858</u>  | <u>150,495</u>            | <u>3,131,653</u>               |
| Operating Loss                                     | <u>(301,278)</u>       | <u>224,631</u>    | <u>(3,515)</u>            | <u>(80,162)</u>                |
| Non-Operating Cash Receipts                        |                        |                   |                           |                                |
| Gants  | 159,033                | -                 | -                         | 159,033                        |
| Interest   | -                      | -                 | -                         | -                              |
| Total Non-Operating Cash Receipts                  | <u>159,033</u>         | <u>-</u>          | <u>-</u>                  | <u>159,033</u>                 |
| Excess of Cash Receipts Over (Under) Disbursements | (142,245)              | 224,631           | (3,515)                   | 78,871                         |
| Advances In  | 268,494                | -                 | -                         | 268,494                        |
| Advances Out                                       | (144,880)              | -                 | -                         | (144,880)                      |
| Transfers In                                       | 5,890                  | -                 | -                         | 5,890                          |
| Transfers Out                                      | -                      | -                 | -                         | -                              |
| Net Cash Receipts Over/(Under) Cash Disbursements  | (12,741)               | 224,631           | (3,515)                   | 208,375                        |
| Fund cash Balance at Beginning of Year             | <u>51,991</u>          | <u>-</u>          | <u>61,556</u>             | <u>113,547</u>                 |
| Fund Cash Balance at End of Year                   | <u>\$ 39,250</u>       | <u>\$ 224,631</u> | <u>\$ 58,041</u>          | <u>\$ 321,922</u>              |
| Reserve for Encumbrances                           | <u>\$ 609</u>          | <u>\$ -</u>       | <u>\$ -</u>               | <u>\$ 609</u>                  |

The accompanying notes are an integral part of these statements.

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**FINANCIAL STATEMENTS**

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# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

## NOTE A – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 state and/or federal agencies. This Board of Education controls the School District's six instructional facilities and one administrative building staffed by 132 classified employees and 192 certificated full-time teaching personnel, who provide services to 2,505 students.

### *Reporting Entity*

A reporting entity is comprised of the primary, component units and other organizations that are included to ensure that the financial statements 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, food service, preschool 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 this 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

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2003

units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The School District is associated with three jointly governed organizations and a public entity risk pool. These organizations are presented in Note G to the financial statements. These organizations are:

Jointly Governed Organizations:

Northeast Ohio Network for Education Technology  
Portage Lakes Career Center  
Interval Opportunity School

Public Entity Risk Pool:

Ohio School Boards Association Workers' Compensation Group  
Rating Program

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for government entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting in the preceding paragraph.

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2003

1. *Basis of Presentation – Fund Accounting*

The District maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types** – Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District’s expendable financial resources and the related current liabilities (except those accounted for in proprietary or trust funds) are accounted for through governmental funds. The following are the School District’s governmental fund types:

**General Fund** – The general fund is the operating fund of the School District and is used to account 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.

**Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Funds** – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2003

**Proprietary Fund Types** – Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund types:

**Enterprise Funds** – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**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.

**Fiduciary Fund Types** – Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. For the School District, these include expendable trust and agency. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The Student Managed Activity Fund is an agency fund which is used to account for those student activity programs which have student participation in the activity and have students involved in the management of the program.

## 2. *Budgetary Process*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the School District Board of Education at the fund level. Any budgetary

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2003

modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget** – Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

**Estimated Resources** – Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and received the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in Note D reflect the amounts in the final amended certificate issued during fiscal year 2003.

**Appropriations** – Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.



# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2003

**Encumbrances** – The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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

### 3. *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.

During fiscal year 2003, investments were limited to repurchase agreements and nonnegotiable certificates of deposits. These nonparticipating investment contracts are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$20,776.

### 4. *Property, Plant and Equipment*

Acquisitions of property, plant and equipment are recorded as site improvement disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

### 5. *Unpaid Vacation and Sick Leave*

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS**

---

**June 30, 2003**

6. *Total Columns on Financial Statements*

Total columns on the financial statements are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE C – RESTATEMENT OF PRIOR YEAR FUND BALANCES**

Beginning fund balances were restated from GAAP Basis to Cash Basis as follows:

|                       | Fund Balance<br>As stated at<br>June 30, 2002 | Adjustment to<br>cash basis | Cash Fund<br>balance as<br>stated at<br>July 1, 2002 |
|-----------------------|---|-----------------------------|--|
|                       | <hr/>   | <hr/>                       | <hr/>  |
| General Fund          | \$ (1,392,627)                                | \$ 1,587,119                | \$ 194,492   |
| Special Revenue Fund  | 122,702                                       | 208,658                     | 331,360  |
| Capital Projects Fund | 120,890                                       | (3,295)                     | 117,595  |
| Expendable Trust Fund | 96,273  | 1                           | 96,274   |
| Enterprise Fund       | (101,822)                                     | 153,813                     | 51,991   |
| Internal Service Fund | (304,970)                                     | 304,970                     | 0  |
| Agency Fund           | 0   | 61,556                      | 61,556   |

**COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS**

---

**June 30, 2003**

**NOTE D – BUDGETARY ACTIVITY**

Budgetary activity for the year ended June 30, 2003 is as follows:

| 2003 Budgeted vs. Actual Receipts |                          |                        |                 |
|-----------------------------------|--------------------------|------------------------|-----------------|
| <u>Fund Type</u>                  | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
| General                           | \$ 15,817,447            | \$ 15,817,447          | \$ 0            |
| Special Revenue                   | 1,277,301                | 1,277,301              | 0               |
| Debt Service                      | 1,243,226                | 1,243,226              | 0               |
| Capital Projects                  | 160,139                  | 160,139                | 0               |
| Enterprise                        | 1,033,439                | 1,033,439              | 0               |
| Internal Service                  | 2,304,489                | 2,304,489              | 0               |
| Fiduciary                         | 163,605                  | 163,605                | 0               |
| Total                             | <u>\$ 21,999,646</u>     | <u>\$ 21,999,646</u>   | <u>\$ 0</u>     |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures |                                |                               |                 |
|---|--------------------------------|-------------------------------|-----------------|
| <u>Fund Type</u>                                      | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
| General   | \$ 15,705,576                  | \$ 15,705,576                 | \$ 0            |
| Special Revenue                                       | 1,466,645                      | 1,466,645                     | 0               |
| Debt Service  | 1,243,226                      | 1,243,226                     | 0               |
| Capital Projects                                      | 213,716                        | 213,716                       | 0               |
| Enterprise  | 1,046,789                      | 1,046,789                     | 0               |
| Internal Service                                      | 2,079,858                      | 2,079,858                     | 0               |
| Fiduciary   | 183,259                        | 183,259                       | 0               |
| Total   | <u>\$ 21,939,069</u>           | <u>\$ 21,939,069</u>          | <u>\$ 0</u>     |

**NOTE E – DEPOSITS AND INVESTMENTS**

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

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

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 accounts including passbook accounts.

Protection of the 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 may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

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 and eighty days in an amount not to exceed twenty-five percent 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 rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

**Deposits** – At fiscal year end, the carrying amount of the School District's deposits was \$140,810 and the bank balance was \$269,829. \$134,117 of the bank balance was covered by federal depository insurance; and \$135,712 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** – The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. At June 2003, the School District had a category 3 repurchase agreement with a carrying amount and a fair value of \$965,000.

## NOTE F – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien

**COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS**

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**June 30, 2003**

December 31, 2002, are levied after April 1, 2003 and are collected in 2003 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2003 taxes were collected are:

|  | <u>Amount</u>      | <u>Percent</u> |
|--|--------------------|----------------|
| Agricultural/Residential and Other Real Estate | 270,909,830        | 93.57          |
| Tangible Personal Property                     | <u>18,606,630</u>  | <u>6.43</u>    |
| Total Assessed Values                          | <u>289,516,460</u> | <u>100.00</u>  |

Tax rate per \$1,000 of assessed valuation \$58.48

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes 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.

The School District receives property taxes from Summit County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

## NOTE G – JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL

### 1. *Jointly Governed Organizations*

The Northeast Ohio Network for Educational Technology (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 among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEONET including budgeting, appropriating, contracting and designating management. The nine member board of directors consists of the superintendent of the fiscal agent, three operating committee chairs, the chair of the assembly, three at-large assembly members and the site administrator. All revenues are generated from an annual fee of \$6.30 per student of participating districts and State funding. The Summit County Educational Service Center is the fiscal agent of NEONET. Financial information can be obtained by writing to the Summit County Educational Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

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.

The Interval Opportunity School is a jointly governed organization of three area public school 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



# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

students serviced. The Interval Opportunity School is governed by a Board of Directors comprised of the superintendents from Portage Lakes Career Center, Green Local Schools 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.

## 2. *Public Entity Risk Pool*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

## NOTE H – RISK MANAGEMENT

### 1. *Property and Liability*

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

Settlements have not exceeded commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

### 2. *Workers' Compensation*

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note H). 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

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

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 can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

### 3. *Self-Insurance*

The School District has elected to provide health care coverage to its employees through a self-insured program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The plan provides for a medical/surgical plan, dental and vision care. A third party administrator, Managed Care of America Insurance Company, located in Columbus, Ohio reviews all claims which are then paid by the School District. The School District pays into the self-insurance fund \$107.66 for family coverage and \$62.86 for individual coverage per employee per month.

The School District purchases stop-loss coverage of \$60,000 per year per individual and \$1,821,721 per aggregate.

## NOTE I – DEFINED BENEFIT PENSION PLANS

### 1. *School Employees Retirement System*

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided per State statute by 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 may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$352,296, \$353,064 and \$305,304, respectively.

## 2. *State Teachers' Retirement System*

The School District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers; Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$1,071,852, \$1,069,104, and \$1,018,332, respectively.

## NOTE J – POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The number of participants currently receiving health care benefits is approximately 50,000.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.011 million on June 30, 2002. As of July 1, 2002, eligible benefit recipients statewide totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS statewide were \$354,697,000.

## NOTE K – OTHER EMPLOYEE BENEFITS

### 1. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time.

Teachers, administrators and classified employees are entitled to a sick leave credit equal to one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days. Upon retirement, payment is made to certificated employees for one-fourth of the total sick leave

**COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS**

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**June 30, 2003**

accumulation, up to a maximum accumulation of 140 days plus one-half of the excess of 205 days. The amount paid to classified employees upon retirement is one-fourth of the first 160 days of sick leave plus one-half of the excess of 190 days not to exceed 200 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

*2. Life Insurance*

The School District provides life insurance to employees through OSBA Insurance Trust, Metropolitan Life Company. The amounts provided equal the employee's annual salary or as otherwise stated according to negotiated agreements.

**NOTE L – NOTE AND LOANS PAYABLE**

The School District's note and loan activity, including amounts outstanding and interest rates follow:

|                                | <u>Principal<br/>Outstanding<br/>6/30/02</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Principal<br/>Outstanding<br/>6/30/03</u> |
|--------------------------------|--|-------------------|-------------------|--|
| General Fund:                  |  |                   |                   |  |
| Tax Anticipation<br>Note 4.00% | <u>\$ 0</u>                                  | <u>\$ 850,000</u> | <u>\$ 850,000</u> | <u>\$ 0</u>                                  |
| Total Notes and<br>Loans       | <u>\$ 0</u>                                  | <u>\$ 850,000</u> | <u>\$ 850,000</u> | <u>\$ 0</u>                                  |

The tax anticipation note is backed by the full faith and credit of the School District. All notes mature within one year.

**COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS**

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**June 30, 2003**

**NOTE M – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2003, were as follows:

|   | <u>Outstanding<br/>6/30/02</u> | <u>Additions</u> | <u>Deductions</u> | <u>Outstanding<br/>6/30/03</u> |
|---|--------------------------------|------------------|-------------------|--------------------------------|
| Energy Conversation<br>Note 6.32%           | \$ 769,654                     |                  | \$ 39,931         | \$ 729,723                     |
| Energy Conservation,<br>Phase 2             | 780,482                        |                  | 48,642            | 731,840                        |
| General Obligation<br>Bond:                 |                                |                  |                   |                                |
| Bus Acquisition bond,<br>Series 2000, 5.91% | 176,304                        |                  | 40,350            | 135,954                        |
| 1993 School<br>Improvement 5.50%            | <u>2,880,000</u>               |                  | <u>175,000</u>    | <u>2,705,000</u>               |
| Total General Long-<br>Term Obligations     | <u>\$ 5,194,754</u>            |                  | <u>\$ 303,923</u> | <u>\$ 4,302,517</u>            |

Principal and interest requirements to retire the general obligation bond and energy conservation notes outstanding at June 30, 2003 are as follows:

| <u>Fiscal Year Ending<br/>June 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---------------------------------------|---------------------|---------------------|---------------------|
| 2004                                  | \$ 309,457          | \$ 246,954          | \$ 556,411          |
| 2005                                  | 327,195             | 228,767             | 555,962             |
| 2006                                  | 345,322             | 209,548             | 554,870             |
| 2007                                  | 318,370             | 189,130             | 507,500             |
| 2008                                  | 334,644             | 170,481             | 505,125             |
| 2009-2013                             | 1,987,260           | 533,126             | 2,520,386           |
| 2014-2016                             | 680,269             | 54,951              | 735,220             |
| Total                                 | <u>\$ 4,302,517</u> | <u>\$ 1,632,957</u> | <u>\$ 5,935,474</u> |

# COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2003

## NOTE N – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

## NOTE O – CONTINGENCIES

### 1. *Grants*

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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, 2003.

### 2. *Litigation*

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

## NOTE P – SET-ASIDES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly

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**COVENTRY LOCAL SCHOOL DISTRICT – SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS**

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**June 30, 2003**

restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the changes in the amounts set-aside for textbooks and instructional materials, and capital improvements from the end of the prior year to the end of the current year.

|  | <u>Textbook/<br/>Instructional</u> | <u>Capital<br/>Improvements</u> |
|--|------------------------------------|---------------------------------|
| The balance of the set-aside carried forward from the prior year     | \$ 35,366                          | \$ 0                            |
| Current fiscal year set-aside requirement                            | 196,643                            | 196,643                         |
| Qualifying expenditures during the fiscal year                       | 203,479                            | 29,670                          |
| Offsets for the fiscal year  | <u>0</u>                           | <u>166,973</u>                  |
| Total  | <u>\$ 28,530</u>                   | <u>\$ 0</u>                     |
| The balance of the set-aside carried forward to the next fiscal year | <u>\$ 28,530</u>                   | <u>\$ 0</u>                     |
| Total Restricted Assets  |                                    | <u>\$ 28,530</u>                |

The School District had offsets during the fiscal year that reduced the capital improvements set-aside amount to below zero. Effective in the current fiscal year, these extra amounts may be used to reduce the set-aside requirements of future years.

**NOTE Q – 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. 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 their initial financial recovery plan which was approved by the State Superintendent of Public Instruction in July, 1997.



**Coventry Local School District  
Summit County  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2003**

| Federal Program   | CFDA#  | Pass-through Agency Awarding |                | Non-Cash      |                | Non-Cash      |
|---|--------|------------------------------|----------------|---------------|----------------|---------------|
|   |        | Number                       | Receipts       | Receipts      | Expenditures   | Expenditures  |
| <b>United States Department of Agriculture</b>                              |        |                              |                |               |                |               |
| Passed-through Ohio Department of Education                                 |        |                              |                |               |                |               |
| Child Nutrition Cluster:  |        |                              |                |               |                |               |
| National School Lunch Program   | 10.555 | 04-PU                        | 151,903        |               | 151,903        |               |
| Food Distribution Program   | 10.550 | N/A                          |                | 60,955        |                | 59,144        |
| <b>Total United States Department of Agriculture-Child Nutrition Center</b> |        |                              | <u>151,903</u> | <u>60,955</u> | <u>151,903</u> | <u>59,144</u> |
| <b>United States Department of Education</b>                                |        |                              |                |               |                |               |
| Passed-through Ohio Department of Education:                                |        |                              |                |               |                |               |
| Title I Grants to Local Educational Agencies                                | 84.010 | C1-SD                        | 156,789        |               | 133,408        |               |
| Total Title I Grants to Local Educational Agencies                          |        |                              | <u>156,789</u> |               | <u>133,408</u> |               |
| Innovative Education Program Strategies                                     | 84.298 | C2-S1                        | 15,910         |               | 10,974         |               |
| Total Innovative Education Programs Strategies                              |        |                              | <u>15,910</u>  |               | <u>10,974</u>  |               |
| Eisenhower Proficiency Development  | 84.281 | MS-S1                        | -              |               | 6,818          |               |
| Total Eisenhower Proficiency Development                                    |        |                              | <u>-</u>       |               | <u>6,818</u>   |               |
| Special Education Cluster:  |        |                              |                |               |                |               |
| Special Education Grants to States  | 84.027 | 6B-SF                        | 214,957        |               | 192,092        |               |
| Total Special Education Grants to States                                    |        |                              | <u>214,957</u> |               | <u>192,092</u> |               |
| Special Education Pre-school Grants   | 84.173 | PG-S1                        | 23,658         |               | 20,228         |               |
| Total Special Education Pre-school Grants                                   |        |                              | <u>23,658</u>  |               | <u>20,228</u>  |               |
| Total Special Education Cluster   |        |                              | <u>238,615</u> |               | <u>212,320</u> |               |
| Safe and Drug-Free Schools and Communities State Grants                     | 84.186 | DR-S1                        | 11,629         |               | 13,566         |               |
| Total Safe and Drug-Free Schools and Communities State Grants               |        |                              | <u>11,629</u>  |               | <u>13,566</u>  |               |
| Goals 2000 State and Local Education  |        |                              |                |               |                |               |
| Systematic Improvement  | 84.276 | C2-S1                        | -              |               | 16,936         |               |
| Total Goals 2000 State and Local Education Systematic Improvement           |        |                              | <u>-</u>       |               | <u>16,936</u>  |               |

**COVENTRY LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

| Federal Program  | CFDA#  | Pass-through<br>Agency Awarding<br>Number | Non-Cash              |                      | Non-Cash              |                      |
|--|--------|---|-----------------------|----------------------|-----------------------|----------------------|
|  |        |   | Receipts              | Expenditures         | Receipts              | Expenditures         |
| Passed Through Summit County Educational Service Center            |        |   |                       |                      |                       |                      |
| Technology Innovation Challenge Grants                             | 84.303 | N/A                                       | 42,358                |                      | 25,422                |                      |
| <b>Total Technology Innovation Challenge Grants</b>                |        |   | <u>42,358</u>         |                      | <u>25,422</u>         |                      |
| Title VI-R   | 84.340 | N/A                                       | 71,083                |                      | 73,818                |                      |
| <b>Total Title VI-R</b>  |        |   | <u>71,083</u>         |                      | <u>73,818</u>         |                      |
| <b>Total United States Department of Education</b>                 |        |   | <u>536,384</u>        | -                    | <u>493,262</u>        | -                    |
| United States Department of Health and Human Services              |        |   |                       |                      |                       |                      |
| Passed Through Ohio Department of MRDD                             |        |   |                       |                      |                       |                      |
| Medical Assistance Program   | 93.778 | N/A                                       | 122,081               |                      | 122,081               |                      |
| <b>Total United States Department of Health and Human Services</b> |        |   | <u>122,081</u>        | -                    | <u>122,081</u>        | -                    |
| <b>Total</b>   |        |   | <u><u>810,368</u></u> | <u><u>60,955</u></u> | <u><u>767,246</u></u> | <u><u>59,144</u></u> |

**COVENTRY LOCAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards, Receipts and Expenditures is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance with  
Governmental Auditing Standards**

To the Board of Education  
Coventry Local School District  
Akron, OH 44319-1479

We have audited the financial statements of the Coventry Local School District (the District), as of and for the year ended June 30, 2003 and have issued our report thereon dated December 29, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Coventry Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards which is described in the accompanying Schedule of Findings as items 2003-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 29, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Coventry Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal components does not reduce to a relatively

low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Moore Stephens Apple*

Akron, Ohio  
December 29, 2003

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

To the Board of Education  
Coventry Local School District  
Akron, Ohio 44319-1479

Compliance

We have audited the compliance of Coventry Local 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, 2003. Coventry Local School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Coventry Local School District's management. Our responsibility is to express an opinion on Coventry Local 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 Coventry Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Coventry Local School District's compliance with those requirements.

In our opinion, Coventry Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

## Internal Control Over Compliance

The management of Coventry Local 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 Coventry Local 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Moore Stephens Apple*

Akron, Ohio  
December 29, 2003

**Coventry Local School District - Summit County**

**Schedule of Findings and Questioned Costs**

**June 30, 2003**

1. Summary of Auditors' Results

Unqualified opinion was issued on the financial statements.

Material control weaknesses at the financial statement level – none noted.

Other reportable control weakness conditions reported at the financial statement level - none noted.

There were material non-compliance findings at the financial statement level.

Reportable control weaknesses for major federal programs – none noted.

For those items tested, there was no material non-compliance for major federal programs.

Unqualified opinion was issued on major programs compliance.

The audit disclosed no findings under OMB Circular A-133.

The District's major programs tested were Child Nutrition Cluster; National School Lunch – CFDA #10.555; Food Distribution – CFDA #10.550, and the Medical Assistance Program – CFDA #93.778.

The dollar threshold used for Type A Programs was \$300,000 and Type B programs were all other programs.

The Auditee was low risk.

2. There were no audit findings or questioned costs for federal awards during the year ended June 30, 2003.

3. There were audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2003.



**Coventry Local School District  
Summit County**

**Schedule of Findings – Continued  
June 30, 2003**

Findings related to the Financial Statements  
Required to be Reported in accordance with GAGAS

**Noncompliance – Finding Number 2003-01**

**Ohio Admin. Code Section 117-2-03(B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.

For fiscal year 2003, the District prepared its financial statements in accordance with standards established by the Auditor of State for governments entities not required to prepare annual financial reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District should ensure preparation of its financial statements in accordance with generally accepted accounting principles.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution status. This status requires the District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

**Coventry Local School District - Summit County**

**Schedule of Prior Audit Findings**

**June 30, 2003**

The prior audit report of the Coventry Local School District, issued as of June 30, 2002, included no citations and a recommendation. This item has been included in the applicable section of the current year audit report.



**Auditor of State  
Betty Montgomery**

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**COVENTRY LOCAL SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2004**