



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Covington Exempted Village School District
Miami County
25 Grant Street
Covington, Ohio 45318-1699

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Covington Exempted Village School District, Miami County, (the District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Covington Exempted Village School District, Miami County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2000, 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 audit.

Jim Petro
Auditor of State

November 27, 2000

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**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 2000**

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,572,361	\$177,363	\$16,151
Cash and Cash Equivalents with Fiscal Agents	0	3,637	0
Receivables:			
Property and Other Taxes	1,872,661	0	0
Income Taxes	145,599	0	0
Accounts	3,367	3,429	0
Intergovernmental	800	0	0
Accrued Interest	1,245	0	0
Prepaid Items	6,745	0	0
Interfund Receivable	31,000	0	0
Inventory of Supplies and Materials	2,977	0	0
Inventory Held for Resale	0	0	0
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	106,708	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
Total Assets and Other Debits	\$3,743,463	\$184,429	\$16,151
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$53,132	\$16,699	\$0
Accrued Wages and Benefits Payable	376,111	5,928	0
Intergovernmental Payable	84,218	10,660	0
Interfund Payable	0	0	31,000
Due to Students	0	0	0
Deferred Revenue	1,829,865	0	0
Compensated Absences Payable	7,763	0	0
Total Liabilities	2,351,089	33,287	31,000
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	102,551	23,378	4,369
Reserved for Inventory of Supplies and Materials	2,977	0	0
Reserved for Property Taxes	45,258	0	0
Reserved for Textbooks and Instructional Materials	863	0	0
Reserved for Budget Stabilization	57,786	0	0
Reserved for School Bus Purchases	48,059	0	0
Unreserved, Undesignated (Deficit)	1,134,880	127,764	(19,218)
Total Fund Equity (Deficit) and Other Credits	1,392,374	151,142	(14,849)
Total Liabilities, Fund Equity and Other Credits	\$3,743,463	\$184,429	\$16,151

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ENTERPRISE	TRUST AND AGENCY			
\$80,212	\$58,971	\$0	\$0	\$1,905,058
0	0	0	0	3,637
0	0	0	0	1,872,661
0	0	0	0	145,599
4,516	0	0	0	11,312
7,340	0	0	0	8,140
0	0	0	0	1,245
0	0	0	0	6,745
0	0	0	0	31,000
1,835	0	0	0	4,812
9,953	0	0	0	9,953
0	0	0	0	106,708
34,085	0	5,353,442	0	5,387,527
0	0	0	376,354	376,354
<u>\$137,941</u>	<u>\$58,971</u>	<u>\$5,353,442</u>	<u>\$376,354</u>	<u>\$9,870,751</u>
\$1,162	\$0	\$0	\$0	\$70,993
10,174	0	0	0	392,213
19,109	0	0	49,682	163,669
0	0	0	0	31,000
0	35,416	0	0	35,416
6,595	0	0	0	1,836,460
5,493	0	0	326,672	339,928
<u>42,533</u>	<u>35,416</u>	<u>0</u>	<u>376,354</u>	<u>2,869,679</u>
0	0	5,353,442	0	5,353,442
95,408	0	0	0	95,408
0	2,000	0	0	132,298
0	0	0	0	2,977
0	0	0	0	45,258
0	0	0	0	863
0	0	0	0	57,786
0	0	0	0	48,059
0	21,555	0	0	1,264,981
<u>95,408</u>	<u>23,555</u>	<u>5,353,442</u>	<u>0</u>	<u>7,001,072</u>
<u>\$137,941</u>	<u>\$58,971</u>	<u>\$5,353,442</u>	<u>\$376,354</u>	<u>\$9,870,751</u>

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
Revenues:						
Property and Other Taxes	\$1,830,412	\$0	\$0	\$0	\$0	\$1,830,412
Income Taxes	411,676	0	0	0	0	411,676
Tuition and Fees	31,616	0	0	0	0	31,616
Interest	112,067	951	0	2,715	841	116,574
Intergovernmental	2,691,856	168,615	0	0	0	2,860,471
Extracurricular Activities	0	219,600	0	0	1,996	221,596
Gifts and Donations	0	17,011	0	54,678	20,106	91,795
Rent	2,165	0	0	0	0	2,165
Miscellaneous	723	0	0	0	0	723
Total Revenues	5,080,515	406,177	0	57,393	22,943	5,567,028
Expenditures:						
Current:						
Instruction:						
Regular	2,394,639	64,782	0	5,975	0	2,465,396
Special	449,870	67,580	0	0	0	517,450
Support Services:						
Pupils	119,943	0	0	0	0	119,943
Instructional Staff	203,430	5,218	0	0	0	208,648
Board of Education	5,015	0	0	0	0	5,015
Administration	528,743	73,878	0	0	0	602,621
Fiscal	197,440	0	0	0	0	197,440
Operation and Maintenance of Plant	551,313	14,329	0	0	0	565,642
Pupil Transportation	212,012	0	0	0	0	212,012
Central	56,591	5,409	0	0	0	62,000
Operation of Non-Instructional Services	67	229	0	0	21,996	22,292
Extracurricular Activities	142,151	170,576	0	0	0	312,727
Capital Outlay	0	0	0	241,644	0	241,644
Total Expenditures	4,861,214	402,001	0	247,619	21,996	5,532,830
Excess of Revenues Over (Under) Expenditure:	219,301	4,176	0	(190,226)	947	34,198
Fund Balances at Beginning of Year	1,159,841	146,966	14,759	175,377	22,608	1,519,551
Residual Equity Transfers - In	14,759	0	0	0	0	14,759
Residual Equity Transfers - Out	0	0	(14,759)	0	0	(14,759)
Decrease in Reserve for Inventory	(1,527)	0	0	0	0	(1,527)
Fund Balances (Deficit) at End of Year	\$1,392,374	\$151,142	\$0	(\$14,849)	\$23,555	\$1,552,222

See Accompanying Notes to the General Purpose Financial Statements

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**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUNDS</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:						
Property and Other Taxes	\$1,861,318	\$1,861,318	\$0	\$0	\$0	\$0
Income Taxes	431,611	431,611	0	0	0	0
Tuition and Fees	31,582	31,582	0	0	0	0
Interest	112,318	112,318	0	951	951	0
Intergovernmental	2,692,693	2,692,693	0	163,336	163,336	0
Extracurricular Activities	0	0	0	216,349	216,349	0
Gifts and Donations	0	0	0	17,011	17,011	0
Rent	2,715	2,715	0	0	0	0
Miscellaneous	536	536	0	0	0	0
Total Revenues	<u>5,132,773</u>	<u>5,132,773</u>	<u>0</u>	<u>397,647</u>	<u>397,647</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,667,318	2,435,347	231,971	96,295	70,616	25,679
Special	660,727	462,184	198,543	86,618	71,746	14,872
Support Services:						
Pupils	177,989	124,030	53,959	260	0	260
Instructional Staff	264,836	202,361	62,475	8,362	6,398	1,964
Board of Education	7,554	4,734	2,820	0	0	0
Administration	704,673	545,397	159,276	124,354	82,429	41,925
Fiscal	309,788	196,007	113,781	0	0	0
Operation and Maintenance of Plant	748,434	623,183	125,251	17,801	15,340	2,461
Pupil Transportation	369,454	220,471	148,983	0	0	0
Central	174,265	53,915	120,350	12,199	5,439	6,760
Operation of Non-Instructional Services	41,991	73	41,918	591	229	362
Extracurricular Activities	277,882	138,629	139,253	217,367	183,202	34,165
Capital Outlay	0	0	0	0	0	0
Total Expenditures	<u>6,404,911</u>	<u>5,006,331</u>	<u>1,398,580</u>	<u>563,847</u>	<u>435,399</u>	<u>128,448</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,272,138)</u>	<u>126,442</u>	<u>1,398,580</u>	<u>(166,200)</u>	<u>(37,752)</u>	<u>128,448</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	5,738	5,738	0	1,115	1,115	0
Advances - In	103,356	103,356	0	84,356	84,356	0
Advances - Out	(85,000)	(84,356)	644	(84,356)	(84,356)	0
Operating Transfers - In	14,759	14,759	0	0	0	0
Operating Transfers - Out	(14,759)	0	14,759	0	0	0
Total Other Financing Sources (Uses)	<u>24,094</u>	<u>39,497</u>	<u>15,403</u>	<u>1,115</u>	<u>1,115</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,248,044)</u>	<u>165,939</u>	<u>1,413,983</u>	<u>(165,085)</u>	<u>(36,637)</u>	<u>128,448</u>
Fund Balances at Beginning of Year	1,130,487	1,130,487	0	115,193	115,193	0
Prior Year Encumbrances Appropriated	269,170	269,170	0	50,186	50,186	0
Fund Balances at End of Year	<u>\$151,613</u>	<u>\$1,565,596</u>	<u>\$1,413,983</u>	<u>\$294</u>	<u>\$128,742</u>	<u>\$128,448</u>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	2,715	2,715	0	841	841	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,996	1,996	0
0	0	0	54,678	54,678	0	20,106	20,106	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	57,393	57,393	0	22,943	22,943	0
0	0	0	17,718	11,798	5,920	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	45,445	23,996	21,449
0	0	0	0	0	0	0	0	0
0	0	0	238,551	263,735	(25,184)	0	0	0
0	0	0	256,269	275,533	(19,264)	45,445	23,996	21,449
0	0	0	(198,876)	(218,140)	(19,264)	(22,502)	(1,053)	21,449
0	0	0	1,418	1,418	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	(19,000)	(19,000)	0	0	0
0	0	0	0	0	0	0	0	0
(14,759)	(14,759)	0	0	0	0	0	0	0
(14,759)	(14,759)	0	1,418	(17,582)	(19,000)	0	0	0
(14,759)	(14,759)	0	(197,458)	(235,722)	(38,264)	(22,502)	(1,053)	21,449
14,759	14,759	0	25,188	25,188	0	608	608	0
0	0	0	222,280	222,280	0	22,000	22,000	0
\$0	\$0	\$0	\$50,010	\$11,746	(\$38,264)	\$106	\$21,555	\$21,449

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues:	
Sales	\$196,912
Charges for Services	65,698
Total Operating Revenues	<u>262,610</u>
Operating Expenses:	
Salaries and Wages	124,358
Fringe Benefits	41,225
Purchased Services	7,414
Supplies and Materials	6,847
Cost of Sales	157,173
Other	597
Depreciation	3,140
Total Operating Expenses	<u>340,754</u>
Operating Loss	<u>(78,144)</u>
Non-Operating Revenues (Expenses):	
Interest	3,021
Federal and State Subsidies	55,767
Federal Donated Commodities	34,744
Loss on Disposal of Fixed Assets	(1,532)
Total Non-Operating Revenues (Expenses)	<u>92,000</u>
Net Income	13,856
Retained Earnings at Beginning of Year	<u>81,552</u>
Retained Earnings at End of Year	<u><u>\$95,408</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Sales	\$194,659	\$194,659	\$0
Charges for Services	64,513	64,513	0
Federal and State Subsidies	57,052	57,052	0
Interest	3,021	3,021	0
Total Revenues	319,245	319,245	0
Expenses:			
Salaries and Wages	166,098	122,012	44,086
Fringe Benefits	67,392	42,546	24,846
Purchased Services	9,822	7,515	2,307
Supplies and Materials	138,483	131,524	6,959
Other	7,737	597	7,140
Capital Outlay	0	9,957	(9,957)
Total Expenses	389,532	314,151	75,381
Excess of Revenues Over (Under) Expenses	(70,287)	5,094	75,381
Retained Earnings at Beginning of Year	68,438	68,438	0
Prior Year Encumbrances Appropriated	2,151	2,151	0
Retained Earnings at End of Year	\$302	\$75,683	\$75,381

See Accompanying Notes to the General Purpose Financial Statements

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$260,613
Cash Payments for Employee Services and Benefits	(164,558)
Cash Payments to Suppliers for Goods and Services	(135,951)
Other Operating Expenses	(597)
Net Cash Used For Operating Activities	<u>(40,493)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	<u>57,052</u>
Net Cash Provided By Noncapital Financing Activities	<u>57,052</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	<u>(9,957)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(9,957)</u>

Cash Flows from Investing Activities:

Interest	<u>3,021</u>
Net Cash Provided By Investing Activities	<u>3,021</u>

Net Increase in Cash and Cash Equivalents 9,623

Cash and Cash Equivalents Beginning of Year 70,589

Cash and Cash Equivalents End of Year \$80,212

Reconciliation of Operating Loss to Net

Cash Used For Operating Activities:

Operating Loss (\$78,144)

Adjustments to Reconcile Operating Loss to

Net Cash Used For Operating Activities:

Depreciation	3,140
Donated Commodities Received	34,744
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,997)
Decrease in Inventory of Supplies and Materials	75
Decrease in Inventory Held for Resale	1,683
Decrease in Accounts Payable	(1,019)
Increase in Accrued Wages and Benefits Payable	1,841
Decrease in Intergovernmental Payable	(2,031)
Increase in Compensated Absences Payable	1,215
Net Cash Used For Operating Activities	<u><u>(\$40,493)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Covington Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1837 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 35 square miles. It is located in Miami County, and includes all of the Village of Covington and Newberry, Newton and Washington Townships. The School District is staffed by 34 non-certificated employees, 59 certificated full-time teaching personnel and 4 administrative employees who provide services to 942 students and other community members. The School District currently operates 3 instructional buildings.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Covington Exempted Village School District, this includes general operations, food service, latchkey and student related activities of the School District.

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 the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Covington The village government of Covington is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association The School District is not involved in the budgeting or management, and is not responsible for any debt and has no influence over the organization.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with five jointly governed organizations, one insurance purchasing pool, and one related organization. These organizations are discussed in Note 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Upper Valley Joint Vocational School
- The Covington Education Fund

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

Related Organization:

- The J.R. Clarke Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Covington Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

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 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 - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or 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 obligation principal, interest and related costs.

Capital Projects Funds - The 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 funds or the trust fund).

Proprietary Fund Type:

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 type:

Enterprise Funds - The enterprise funds are used to account for School District activities 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.

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. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, interfund, tuition, grants and student fees.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts receivable, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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 appropriations 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 Title III and Preschool Grant Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the function level within the General Fund, and at the fund level for all other funds.

Advances - in and advances - out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 Miami County Budget Commission for rate determination.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives 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 the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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 is legally enacted by the Board of Education at the function level within the General Fund and at the fund level for all other funds for expenditures, which are the legal levels of budgetary control. 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.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the General Fund, must be approved by the Board of Education. 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. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. The financial statements are presented at more detail than the legal level of control for the special revenue, debt service, capital projects, expendable trust, and enterprise fund types. The Treasurer allocates the Board's appropriations to the function/object level for these funds. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund, consistent with statutory provisions.

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 GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Lapsing of Appropriations:

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, 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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The School District only invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$112,318, which includes \$51,408 assigned from other School District funds. The Covington Board of Education has passed a resolution to allow interest to also be recorded in the District Managed Student Activities Special Revenue Fund, the High School Stadium Project Capital Projects Fund, the Felger Educational Foundation Expendable Trust Fund, and the Food Service Enterprise Fund. Interest in these funds amounted to \$951, \$2,715, \$841, and \$3,021, respectively.

The balance of various grants administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and non-food supplies and are expensed when used.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization.

H. Estimates

The preparation of the 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.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred and fifty dollars. The School District does not have 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Professional Development Block Grant
- Title III
- Preschool Grant
- Instructional Materials Subsidy
- School Net Professional Development
- Ohio Reads Volunteer Coordinator Grant
- Safe School Help Line Grant
- Classroom Size Reduction

Capital Projects Funds

- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education
- E-Rate

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 52 percent of governmental fund revenue during the 2000 fiscal year.

K. Interfund Assets/Liabilities

Short term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

L. 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 School District will compensate the employees for the benefits through paid time off or some

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, property taxes, textbooks and instructional materials, budget stabilization, and school bus purchases.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

The High School Stadium Project Capital Projects Fund had capital outlay expenditures plus encumbrances of \$258,954 in excess of appropriations of \$233,551 at June 30, 2000, due to advances were not budgeted within the current fiscal year.

The High School Stadium Project Capital Projects Fund had a deficit fund balance at June 30, 2000, of \$25,394. The deficit was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds are presented 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

4. For the enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Covington Exempted Village School District are included in the special revenue funds for GAAP reporting purposes.
6. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
7. Operating transfers (budget basis) are reclassified as residual equity transfers (GAAP basis) when they meet certain requirements.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$219,301	\$4,176	\$0	(\$190,226)	\$947
Revenue Accruals	57,996	(5,601)	0	1,418	0
Expenditure Accruals	(29,403)	7,453	0	(23,509)	0
Prepaid Items	(2,263)	0	0	0	0
Advances	19,000	0	0	(19,000)	0
Residual Equity Transfers	14,759	0	(14,759)	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	3,632	0	0	0
Encumbrances	(113,451)	(46,297)	0	(4,405)	(2,000)
Budget Basis	<u>\$165,939</u>	<u>(\$36,637)</u>	<u>(\$14,759)</u>	<u>(\$235,722)</u>	<u>(\$1,053)</u>

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/Excess of Revenues Over Expenses
All Enterprise Funds

GAAP Basis	\$13,856
Revenue Accruals	(2,153)
Expense Accruals	3,522
Inventory of Supplies and Materials	(75)
Inventory Held for Resale	(1,683)
Capital Outlay	(9,957)
Depreciation Expense	3,140
Loss on Disposal of Fixed Assets	1,532
Encumbrances	<u>(3,088)</u>
Budget Basis	<u><u>\$5,094</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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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 obligation, 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 No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand: At fiscal year end, the School District had \$25 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$3,637 shown in the special revenue funds is maintained with the Miami County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,964,150 and the bank balance was \$1,992,377. Of the bank balance:

- * \$100,000 was covered by federal depository insurance; and
- * \$1,892,377 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$47,591 at June 30, 2000.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,015,403	\$0
Cash on Hand	(25)	0
Cash and Cash Equivalents with Fiscal Agents	(3,637)	0
Investments:		
STAR Ohio	(47,591)	47,591
GASB Statement 3	\$1,964,150	\$47,591

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, 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. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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 Miami 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, 2000, are available to finance fiscal year 2000 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 June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal 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 June 30, 2000, was \$45,258 in the General Fund.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$64,627,230	84%	\$65,910,970	86%
Tangible Personal Property	12,727,160	16	10,695,720	14
Total Assessed Value	<u>\$77,354,390</u>	<u>100%</u>	<u>\$76,606,690</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.22		\$35.30	

The tax rate decreased due to a levy that was not renewed.

NOTE 7 - INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on April 1, 1994, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (student fees), accrued interest, interfund and intergovernmental 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 fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Drivers Education Reimbursement	\$800
Enterprise Fund	
National School Lunch Program	<u>7,340</u>
Total Intergovernmental Receivables	<u><u>\$8,140</u></u>

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$86,440
Less Accumulated Depreciation	<u>(52,355)</u>
Net Fixed Assets	<u><u>\$34,085</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$368,453	\$272,453	\$0	\$640,906
Buildings and Improvements	3,250,460	46,411	0	3,296,871
Furniture, Fixtures and Equipment	1,050,103	67,127	45,212	1,072,018
Vehicles	343,647	0	0	343,647
Construction in Progress	<u>77,050</u>	<u>0</u>	<u>77,050</u>	<u>0</u>
Totals	<u><u>\$5,089,713</u></u>	<u><u>\$385,991</u></u>	<u><u>\$122,262</u></u>	<u><u>\$5,353,442</u></u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for property insurance, fleet, and liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,500 deductible)	\$16,050,100
Automobile:	
Comprehensive (\$50 deductible)	2,000,000
Collision (\$500 deductible)	
Liability (\$0 deductible)	
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in insurance coverage from last year.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). 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 percentage 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. 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 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 N. 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 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 2000, 5.5 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$32,339, \$42,141, and \$62,819, respectively; 30 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$22,541 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. 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, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations 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, 2000, 1999, and 1998 were \$149,175, \$125,015, and \$302,757, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$24,086 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all 5 members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$198,899 for fiscal year 2000.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$64,482.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. 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 a maximum of 213 days for certified personnel and up to a maximum of 210 days for classified personnel. Upon retirement, employees with five or more years of service with the School District will receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance, and dental insurance to most employees through CoreSource. Medical/surgical benefits are provided by United Healthcare of Ohio and Anthem Blue Cross/Blue Shield. Vision insurance is provided to certified employees and administrators through VSP Insurance.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
Intergovernmental Payable	\$33,302	\$49,682	\$33,302	\$49,682
Compensated Absences	286,427	40,245	0	326,672
Total General Long-Term Obligations	<u>\$319,729</u>	<u>\$89,927</u>	<u>\$33,302</u>	<u>\$376,354</u>

The intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$6,894,602 with an unvoted debt margin of \$76,607 at June 30, 2000.

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2000, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$31,000, while the High School Stadium Project Capital Projects Fund had an interfund payable of \$31,000.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and latchkey programs. The table below reflects the more significant financial data relating to the enterprise funds of the Covington Exempted Village School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Latchkey	Total Enterprise Funds
Operating Revenues	\$183,671	\$13,241	\$65,698	\$262,610
Depreciation Expense	3,067	0	73	3,140
Operating Income (Loss)	(84,110)	(3,063)	9,029	(78,144)
Interest	3,021	0	0	3,021
Federal and State Subsidies	55,767	0	0	55,767
Federal Donated Commodities	34,744	0	0	34,744
Loss on Disposal of Fixed Assets	(1,532)	0	0	(1,532)
Net Income (Loss)	7,890	(3,063)	9,029	13,856
Fixed Assets Additions	9,957	0	0	9,957
Fixed Assets Deletions	2,189	0	0	2,189
Net Working Capital	45,959	624	19,914	66,497
Total Assets	110,056	624	27,261	137,941
Long-Term Compensated Absences Payable	5,174	0	0	5,174
Total Equity	74,056	624	20,728	95,408
Encumbrances Outstanding at June 30, 2000	\$2,534	\$0	\$554	\$3,088

NOTE 17 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
JMD Architectural	Windows	\$17,004

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL,
AND RELATED ORGANIZATION**

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$17,792 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The School District had no financial transactions with the SOEPC during fiscal year 2000. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND
RELATED ORGANIZATION (Continued)**

A. Jointly Governed Organizations (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2000, the School District paid \$3,535 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Upper Valley Joint Vocational School - The Upper Valley Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. During fiscal year 2000, the School District did not contribute monies to the Upper Valley Joint Vocational School for services provided. To obtain financial information, write to the Upper Valley Joint Vocational School, William Stump, who serves as Treasurer, 8811 Career Drive, Piqua, Ohio 45356-9254.

The Covington Education Fund - The Covington Education Fund is organized as a non-profit unincorporated association under the laws of the State of Ohio. The purpose of the Education Fund is to promote general education enrichment in the community of Covington. The Covington Education Fund is governed by a Distribution Committee appointed by each of the following: Star Bank of Troy, Covington Village Council, Covington Chamber of Commerce, Covington Board of Education and Newberry Township Trustees. The Distribution Committee possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. All funding is through gifts, donations and grants. The School District had no financial transactions with the Covington Education Fund during fiscal year 2000. Financial information can be obtained from the Covington Education Fund, Larry Huffman, who serves as Treasurer, at 101 North High Street, Covington, Ohio 45318.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the 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.

C. Related Organization

The J. R. Clarke Public Library - The J.R. Clarke Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of seven Trustees appointed by the Covington Exempted Village School District Board of Education. Each Trustee is in office for a term of seven years. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION (Continued)

C. Related Organization (Continued)

Although the School District does serve as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. The School District had no financial transactions with the J. R. Clarke Public Library during fiscal year 2000. Financial information can be obtained from the J. R. Clarke Public Library, 102 East Spring Street, Covington, Ohio 45318.

NOTE 19 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,447,016 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 20 - CONTINGENCIES

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, 2000.

**COVINGTON EXEMPTED VILLAGE SCHOOL
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 2000
(Continued)**

NOTE 21 - SET-ASIDE CALCULATIONS

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 the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 1999	\$57,786	\$0	\$0	\$57,786
Current Year Set-aside Requirement	0	116,913	116,913	233,826
Qualifying Disbursements	0	(116,913)	(116,050)	(232,963)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$57,786</u>	<u>\$0</u>	<u>\$863</u>	<u>\$58,649</u>
Set-side Reserve Balance as of June 30,2000	\$57,786	\$0	\$863	\$58,649

Amounts of qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional qualifying disbursements during the year, and these extra amounts may be used to reduce the set-aside requirement of future years, the School District has decided to not carry over such a negative balance to the next year. The total reserve balance for the budget stabilization and textbooks/instructional materials set-asides at the end of the fiscal year was \$58,649.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Covington Exempted Village School District
Miami County
25 Grant Street
Covington, Ohio 45318-1699

To the Board of Education:

We have audited the financial statements of Covington Exempted Village School District, Miami County, (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated November 27, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 control 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 27, 2000.

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

Jim Petro
Auditor of State

November 27, 2000



STATE OF OHIO
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COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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
DECEMBER 26, 2000**