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**Covington Exempted Village School District**  
**Miami County, Ohio**

Basic Financial Statements

June 30, 2009

(with Independent Auditors' Report)





Mary Taylor, CPA  
Auditor of State

Board of Education  
Covington Exempted Village School District  
25 N. Grant Street  
Covington, Ohio 45318

We have reviewed the *Independent Auditors' Report* of the Covington Exempted Village School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 7, 2010

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1 - 2
<u>Basic Financial Statements – June 30, 2009:</u>	
Management's Discussion and Analysis .....	3 - 13
Statement of Net Assets .....	14
Statement of Activities .....	15
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund .....	20
Statement of Net Assets – Fiduciary Funds .....	21
Notes to the Basic Financial Statements .....	22 - 46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	47 - 48
Independent Accountants' Report on Applying Agreed-Upon Procedures .....	49 - 50

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## **INDEPENDENT AUDITORS' REPORT**

Board of Education  
Covington Exempted Village School District  
25 N. Grant Street  
Covington, Ohio 45318

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clark, Schaefer, Hachett & Co.*

Springfield, Ohio  
December 16, 2009



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Covington Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$322,344 which represents a 12.54% increase from 2008.
- General revenues accounted for \$6,681,926 in revenue or 80.63% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,605,463 or 19.37% of total revenues of \$8,287,389.
- The District had \$7,965,045 in expenses related to governmental activities; \$1,605,463 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,681,926 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,468,649 in revenues and other financing sources and \$7,040,964 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$427,685 from \$1,345,969 to \$1,773,654.

**Using these Basic Financial Statements**

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

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

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 4,649,117	\$ 4,062,325
Capital assets, net	<u>1,553,723</u>	<u>1,538,254</u>
Total assets	<u>6,202,840</u>	<u>5,600,579</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,565,994	2,328,066
Long-term liabilities	<u>743,497</u>	<u>701,508</u>
Total liabilities	<u>3,309,491</u>	<u>3,029,574</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,407,454	1,393,868
Restricted	341,827	205,013
Unrestricted	<u>1,144,068</u>	<u>972,124</u>
Total net assets	<u>\$ 2,893,349</u>	<u>\$ 2,571,005</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$2,893,349. Of this total, \$341,827 is restricted in use.

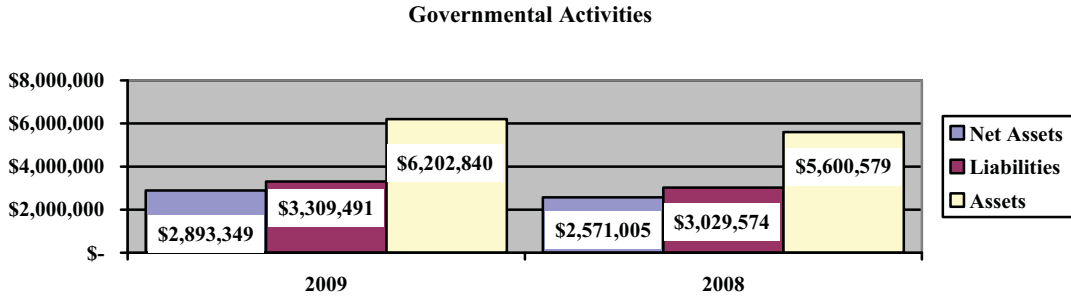
At year-end, capital assets represented 25.05% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$1,407,454. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$341,827, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,144,068 may be used to meet the District's ongoing obligations to the students and creditors.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2009 and 2008:



The table below shows the change in net assets for fiscal year 2009 and 2008.

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 814,466	\$ 760,134
Operating grants and contributions	786,120	833,281
Capital grants and contributions	4,877	2,636
General revenues:		
Property taxes	1,652,045	1,670,216
School district income tax	1,575,289	1,670,057
Grants and entitlements	3,384,682	3,148,821
Investment earnings	36,318	61,258
Other	33,592	78,929
<b>Total revenues</b>	<b>8,287,389</b>	<b>8,225,332</b>

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,610,853	\$ 3,465,216
Special	685,221	686,344
Other	6,591	5,013
Support services:		
Pupil	318,816	286,211
Instructional staff	360,524	327,371
Board of education	9,675	14,759
Administration	765,592	738,872
Fiscal	247,601	227,011
Business	2,743	2,743
Operations and maintenance	606,933	555,414
Pupil transportation	302,051	264,982
Central	134,240	126,791
Operations of non-instructional services		
Other non-instructional services	123,864	95,595
Food service operations	307,801	284,240
Extracurricular activities	471,054	434,587
Interest and fiscal charges	<u>11,486</u>	<u>13,740</u>
Total expenses	<u>7,965,045</u>	<u>7,528,889</u>
Change in net assets	322,344	696,443
Net assets at beginning of year	<u>2,571,005</u>	<u>1,874,562</u>
Net assets at end of year	<u>\$ 2,893,349</u>	<u>\$ 2,571,005</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$322,344. Total governmental expenses of \$7,965,045 were offset by program revenues of \$1,605,463 and general revenues of \$6,681,926. Program revenues supported 20.16% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 79.78% of total governmental revenue.

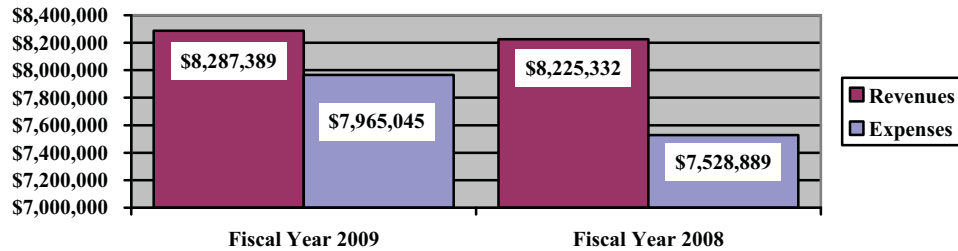
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,302,665 or 54.02% of total governmental expenses for fiscal year 2009.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,610,853	\$ 3,182,201	\$ 3,465,216	\$ 3,056,454
Special	685,221	247,929	686,344	295,813
Other	6,591	6,591	5,013	5,013
Support services:				
Pupil	318,816	285,939	286,211	231,187
Instructional staff	360,524	289,844	327,371	247,939
Board of education	9,675	9,675	14,759	14,759
Administration	765,592	752,218	738,872	708,256
Fiscal	247,601	247,519	227,011	227,011
Business	2,743	2,743	2,743	2,743
Operations and maintenance	606,933	597,638	555,414	541,906
Pupil transportation	302,051	276,669	264,982	239,978
Central	134,240	126,810	126,791	110,361
Operations of non-instructional services				
Other non-instructional services	123,864	64,244	95,595	26,529
Food service operations	307,801	18,345	284,240	(5,457)
Extracurricular activities	471,054	239,731	434,587	216,606
Interest and fiscal charges	11,486	11,486	13,740	13,740
<b>Total expenses</b>	<u>\$ 7,965,045</u>	<u>\$ 6,359,582</u>	<u>\$ 7,528,889</u>	<u>\$ 5,932,838</u>

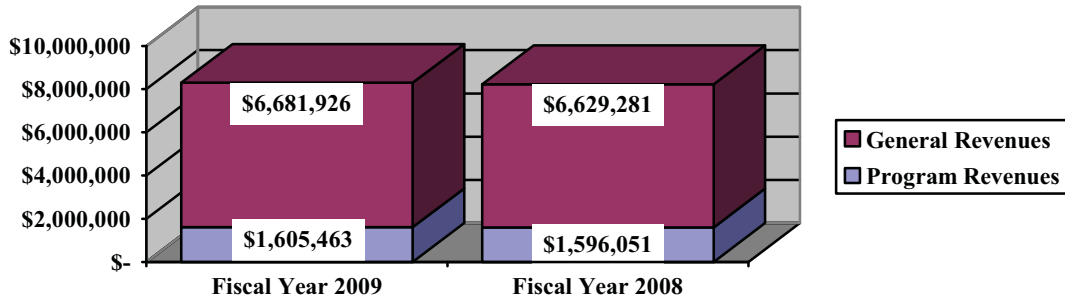
The dependence upon tax and other general revenues for governmental activities is apparent, 79.87% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.84%.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,045,066 which is higher than last year's total of \$1,641,376. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$ 1,773,654	\$ 1,345,969	\$ 427,685	31.78 %
Other Governmental	<u>271,412</u>	<u>295,407</u>	<u>(23,995)</u>	(8.12) %
Total	<u>\$ 2,045,066</u>	<u>\$ 1,641,376</u>	<u>\$ 403,690</u>	24.59 %

**General Fund**

The District's general fund balance increased \$427,685. The decrease in income tax revenue is attributed to the economic slowdown and the fact that individuals filed early in 2008 (causing inflated fiscal year 2008 receipts.) Earnings on investments are down due to low interest rates. The increase in intergovernmental receipts is due to a 3% increase in the foundation amount per pupil, a slight increase in enrollment, and the expansion of the homestead exemption for senior citizens & the disabled. Additional cost of support services is attributed to the following: a decrease in federal (IDEA) grant funds for special education, shifting some of these expenses to the general fund; the hiring of an additional special education aide; emergency repairs for plumbing & heating at the elementary school; and major bus repairs. The increase in non-instructional services expenditures is due an increase in the number of students attending community schools. The increase of facilities construction expenditure is for the installation of a handicap access ramp at the stadium.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table that below assists in illustrating the financial activities and fund balance of the general fund.

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,275,497	\$ 3,332,231	\$ (56,734)	(1.70) %
Tuition	376,003	347,086	28,917	8.33 %
Earnings on investments	36,168	61,063	(24,895)	(40.77) %
Intergovernmental	3,659,230	3,390,047	269,183	7.94 %
Other revenues	<u>75,741</u>	<u>109,947</u>	<u>(34,206)</u>	(31.11) %
Total	<u>\$ 7,422,639</u>	<u>\$ 7,240,374</u>	<u>\$ 182,265</u>	2.52 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,030,631	\$ 3,922,001	\$ 108,630	2.77 %
Support services	2,609,107	2,293,884	315,223	13.74 %
Non-instructional services	72,596	31,087	41,509	133.53 %
Extracurricular activities	229,365	219,002	10,363	4.73 %
Capital outlay	34,312	-	34,312	100.00 %
Debt service	55,613	100,391	(44,778)	(44.60) %
Facilities acquisition and construction	<u>9,340</u>	<u>-</u>	<u>9,340</u>	100.00 %
Total	<u>\$ 7,040,964</u>	<u>\$ 6,566,365</u>	<u>\$ 474,599</u>	7.23 %

***General Fund Budgeting Highlights***

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

For the general fund, final budgeted revenues and other financing sources were \$7,469,908, which was higher than the original budgeted revenues and other financing sources of \$7,462,160. Actual revenues and other financing sources for fiscal year 2009 were \$7,457,292. This represents a \$12,616 decrease from original budgeted revenues. This decrease is primarily due to a decrease in earnings on investments revenue.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,008,704 were increased to \$7,263,862 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$7,071,799, which was \$192,063 less than the final budget appropriations.



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the District had \$1,553,723 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 352,453	\$ 352,453
Land improvements	307,779	329,284
Building and improvements	527,117	474,299
Furniture and equipment	308,109	313,258
Vehicles	58,265	68,960
Total	\$ 1,553,723	\$ 1,538,254

The overall increase in capital assets of \$15,469 is primarily due to capital outlays of \$178,540 exceeding depreciation expense of \$160,315 and disposals of \$2,756 (net of accumulated depreciation) for fiscal year 2009.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2009, the District had \$146,269 in capital lease obligations outstanding. Of this total, \$38,717 is due within one year and \$107,552 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal 2009 compared to 2008.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2009	2008
Capital lease obligations	\$ 146,269	\$ 144,386
Total	\$ 146,269	\$ 144,386

At June 30, 2009, the District's overall legal debt margin was \$8,330,734 with an unvoted debt margin of \$92,230.

See Note 10 to the basic financial statements for detail on the District's debt administration.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

**OPERATING REVENUES**

Like most public school districts in Ohio, the Covington School District relies on its property & income taxes, and state aide to provide the funds necessary to maintain its educational programs. Currently, State foundation and reimbursements make up 49% of total General Fund (cash) revenue. The District's other major sources of general fund revenue are local sources - real estate taxes and income taxes. A local mix of property and income tax provides a balanced approach to the District's operation's funding.

**STATE REVENUE**

The future of State funding is a challenge facing the District. The economy is struggling, State revenues keep coming in under estimates, and the bottom-line revenue dollars contained in the current State budget are below 2003 levels. Although education-funding increases were minimal, and in some instances there were decreases, public schools fared much better than many other state agencies that sustained double-digit funding cuts. This was made possible by pledging the use of federal stimulus dollars and anticipated video lottery terminal revenues. Now, with the funds from video lottery terminals on hold due to an Ohio Supreme Court ruling, the State is looking for ways to fill a possible \$850 million budget hole and education funding is being threatened. It is very difficult to forecast not knowing what the State revenue stream will look like.

**LOCAL REVENUE**

The current state of the economy has also had an adverse effect on the District's local revenue sources. Residential growth in Covington has been moderate (hampered by the lack of available land for development) and the economy has been impacted by the closing of several industries. The nation wide housing crisis and declining property values may result in little or no growth in property tax collections. In addition, real property tax collections were reduced slightly due to the new \$25,000 senior citizen homestead exemptions. The year 2007 saw property tax reductions due to the expiration of the 5 mill emergency levy, which was allowed to expire in conjunction with the passage of the additional 1.25% income tax (which is currently up for renewal.) The District also has a one-half percent continuous income tax in place. The income tax has generated funds necessary to keep the District operating in the black. In a growing economy, income tax collections generally show some growth; currently, however, income receipts are down and it may be several years before the District sees much (if any) growth.

**OPERATING EXPENDITURES**

Approximately 80 percent of the District's operating expenses are salaries and benefits. The remaining 20% is spent on purchased services, supplies & materials, capital outlay and other miscellaneous expenses. In 2005 the District was having financial difficulty; at that time, costs were reduced and additional income was generated by passage of a 1.25% income tax (effective 2006 thru 2010). Those cuts have not been restored and the Board continues to control expenditures in the following ways: by monitoring enrollment & staffing requirements; participating in a purchasing council (cooperative) to obtain the best pricing on insurance (property, liability & health), office & food service supplies, and the purchase of school buses; negotiating changes in medical insurance plans, including higher co pays and increased employee contributions; and by expanding its recycling program to reduce refuse fees.

**PERMANENT IMPROVEMENTS**

The District faces many challenges as the school buildings age. Capital expenditures, including building upkeep, repairs & maintenance, will be completed as required to keep the facilities safe for students and staff; however, major updates are on hold as the District explores the option to utilize funds from the Ohio Schools Facilities Commission for a new building. The District is the only Miami county school that does not have a permanent improvement levy; therefore, improvements and capital projects, including the purchase of school buses, must be budgeted in the general fund.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**DONATIONS**

The local community and civic organizations have always generously donated their time and funds to provide program "extras" which are not in the District's budget. This support is greatly appreciated.

**CONCLUSION**

Management will continue to monitor economic influences and to review staffing and other expenditures. With the uncertainty of State funding, local support, now more than ever, is critical to maintaining the operations of the District. The 1.25% income tax currently up for renewal generates approximately \$1.1 million (or 15% of our total cash fund revenues.) The loss of this income would be devastating to the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Carol Forsythe, Treasurer, Covington Exempted Village School District, 25 Grant Street, Covington, Ohio 45318.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,168,291
Receivables:	
Taxes . . . . .	2,427,610
Accounts . . . . .	9,132
Intergovernmental . . . . .	18,370
Accrued interest . . . . .	2,218
Prepayments. . . . .	5,495
Materials and supplies inventory . . . . .	18,001
Capital assets:	
Land . . . . .	352,453
Depreciable capital assets, net . . . . .	1,201,270
Capital assets, net. . . . .	<u>1,553,723</u>
 Total assets. . . . .	 <u>6,202,840</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	13,350
Accrued wages and benefits . . . . .	580,303
Pension obligation payable. . . . .	162,418
Intergovernmental payable . . . . .	19,122
Unearned revenue . . . . .	1,790,801
Long-term liabilities:	
Due within one year. . . . .	50,960
Due in more than one year. . . . .	692,537
Total liabilities . . . . .	<u>3,309,491</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	1,407,454
Restricted for:	
Capital projects . . . . .	6,595
State funded programs . . . . .	2,768
Federally funded programs . . . . .	776
Student activities . . . . .	73,756
Other purposes . . . . .	257,932
Unrestricted . . . . .	<u>1,144,068</u>
Total net assets . . . . .	<u>\$ 2,893,349</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,610,853	\$ 391,672	\$ 36,980	\$ -	\$ (3,182,201)
Special . . . . .	685,221	42,784	394,508	-	(247,929)
Other . . . . .	6,591	-	-	-	(6,591)
Support services:					
Pupil. . . . .	318,816	-	32,877	-	(285,939)
Instructional staff. . . . .	360,524	-	70,680	-	(289,844)
Board of education . . . . .	9,675	-	-	-	(9,675)
Administration. . . . .	765,592	10,133	3,241	-	(752,218)
Fiscal. . . . .	247,601	61	21	-	(247,519)
Business. . . . .	2,743	-	-	-	(2,743)
Operations and maintenance . . . . .	606,933	8,332	963	-	(597,638)
Pupil transportation. . . . .	302,051	-	20,505	4,877	(276,669)
Central . . . . .	134,240	-	7,430	-	(126,810)
Operation of non-instructional services:					
Other non-instructional services . . . . .	123,864	1,366	58,254	-	(64,244)
Food service operations . . . . .	307,801	194,570	94,886	-	(18,345)
Extracurricular activities. . . . .	471,054	165,548	65,775	-	(239,731)
Interest and fiscal charges . . . . .	11,486	-	-	-	(11,486)
Total governmental activities . . . . .	<u>\$ 7,965,045</u>	<u>\$ 814,466</u>	<u>\$ 786,120</u>	<u>\$ 4,877</u>	<u>(6,359,582)</u>

**General revenues:**

Property taxes levied for:

General purposes . . . . .	1,652,045
School district income tax . . . . .	1,575,289
Grants and entitlements not restricted to specific programs . . . . .	3,384,682
Investment earnings . . . . .	36,318
Miscellaneous . . . . .	33,592
Total general revenues. . . . .	<u>6,681,926</u>

Change in net assets. . . . . 322,344

Net assets at beginning of year . . . . . 2,571,005

Net assets at end of year. . . . . \$ 2,893,349

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,789,365	\$ 296,358	\$ 2,085,723
Receivables:			
Taxes . . . . .	2,427,610	-	2,427,610
Accounts . . . . .	4,714	4,418	9,132
Intergovernmental . . . . .	5,806	12,564	18,370
Accrued interest . . . . .	2,218	-	2,218
Prepayments . . . . .	5,495	-	5,495
Materials and supplies inventory . . . . .	-	18,001	18,001
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	82,568	-	82,568
Total assets . . . . .	<u>\$ 4,317,776</u>	<u>\$ 331,341</u>	<u>\$ 4,649,117</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 11,137	\$ 2,213	\$ 13,350
Accrued wages and benefits . . . . .	540,895	39,408	580,303
Pension obligation payable . . . . .	147,432	14,986	162,418
Intergovernmental payable . . . . .	18,079	1,043	19,122
Deferred revenue . . . . .	35,778	2,279	38,057
Unearned revenue . . . . .	1,790,801	-	1,790,801
Total liabilities . . . . .	<u>2,544,122</u>	<u>59,929</u>	<u>2,604,051</u>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	83,763	95,502	179,265
Reserved for materials and supplies inventory . . . . .	-	18,001	18,001
Reserved for prepayments . . . . .	5,495	-	5,495
Reserved for property tax unavailable for appropriation . . . . .	91,433	-	91,433
Reserved for capital acquisition . . . . .	68,578	-	68,578
Reserved for school bus purchase . . . . .	13,990	-	13,990
Unreserved, undesignated reported in:			
General fund . . . . .	1,510,395	-	1,510,395
Special revenue funds . . . . .	-	155,314	155,314
Capital projects funds . . . . .	-	2,595	2,595
Total fund balances . . . . .	<u>1,773,654</u>	<u>271,412</u>	<u>2,045,066</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,317,776</u>	<u>\$ 331,341</u>	<u>\$ 4,649,117</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 2,045,066
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,553,723
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 33,943	
Intergovernmental receivable	4,114	
Total		38,057
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligation	146,269	
Compensated absences payable	597,228	
Total		(743,497)
<b>Net assets of governmental activities</b>		<u>\$ 2,893,349</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,275,497	\$ -	\$ 3,275,497
Tuition. . . . .	376,003	-	376,003
Charges for services. . . . .	-	193,542	193,542
Earnings on investments. . . . .	36,168	2,732	38,900
Classroom materials and fess. . . . .	36,753	-	36,753
Extracurricular. . . . .	100	191,116	191,216
Rentals. . . . .	5,296	-	5,296
Contributions and donations. . . . .	28,972	119,534	148,506
Other local revenues . . . . .	4,620	11,656	16,276
Intergovernmental - State. . . . .	3,648,573	20,489	3,669,062
Intergovernmental - federal . . . . .	10,657	369,730	380,387
Total revenue . . . . .	<u>7,422,639</u>	<u>908,799</u>	<u>8,331,438</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,461,476	61,643	3,523,119
Special. . . . .	562,564	124,881	687,445
Other. . . . .	6,591	-	6,591
Support services:			
Pupil. . . . .	287,077	30,032	317,109
Instructional staff . . . . .	284,556	74,705	359,261
Board of education . . . . .	9,621	-	9,621
Administration. . . . .	743,535	15,820	759,355
Fiscal . . . . .	247,594	84	247,678
Operations and maintenance. . . . .	629,982	4,178	634,160
Pupil transportation . . . . .	281,992	8,652	290,644
Central. . . . .	124,750	5,175	129,925
Operation of non-instructional services:			
Other non-instructional services . . . . .	72,596	51,268	123,864
Food service operations. . . . .	-	302,637	302,637
Extracurricular activities. . . . .	229,365	238,084	467,449
Facilities acquisition and construction . . . . .	9,340	15,635	24,975
Capital outlay . . . . .	34,312	-	34,312
Debt service:			
Principal retirement . . . . .	44,127	-	44,127
Interest and fiscal charges . . . . .	11,486	-	11,486
Total expenditures . . . . .	<u>7,040,964</u>	<u>932,794</u>	<u>7,973,758</u>
Excess of revenues over (under) expenditures . . . . .	<u>381,675</u>	<u>(23,995)</u>	<u>357,680</u>
<b>Other financing sources:</b>			
Inception of capital lease. . . . .	46,010	-	46,010
Total other financing sources . . . . .	<u>46,010</u>	<u>-</u>	<u>46,010</u>
Net change in fund balances . . . . .	427,685	(23,995)	403,690
<b>Fund balances at beginning of year. . . . .</b>	<u>1,345,969</u>	<u>295,407</u>	<u>1,641,376</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,773,654</u>	<u>\$ 271,412</u>	<u>\$ 2,045,066</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	403,690
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.</p>		
Capital asset additions	\$ 178,540	
Current year depreciation	<u>(160,315)</u>	
Total		18,225
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(2,756)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	(48,163)	
Intergovernmental revenue	<u>4,114</u>	
Total		(44,049)
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		44,127
<p>Proceeds of capital lease transactions are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.</p>		
		(46,010)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(50,883)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>322,344</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,440,478	\$ 3,444,050	\$ 3,310,031	\$ (134,019)
Tuition . . . . .	356,230	356,600	379,405	22,805
Earnings on investments . . . . .	44,953	45,000	33,950	(11,050)
Extracurricular . . . . .	500	500	100	(400)
Classroom materials and fees . . . . .	43,455	43,500	36,715	(6,785)
Rentals . . . . .	4,495	4,500	4,569	69
Contributions and donations . . . . .	23,975	24,000	28,302	4,302
Other local revenues . . . . .	2,497	2,500	5,623	3,123
Intergovernmental - State . . . . .	3,534,866	3,538,536	3,647,356	108,820
Intergovernmental - federal . . . . .	10,211	10,222	10,222	-
Total revenue . . . . .	<u>7,461,660</u>	<u>7,469,408</u>	<u>7,456,273</u>	<u>(13,135)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,518,126	3,646,207	3,526,560	119,647
Special . . . . .	533,816	553,250	554,280	(1,030)
Other . . . . .	8,356	8,660	6,594	2,066
Support services:				
Pupil . . . . .	280,752	290,973	286,593	4,380
Instructional staff . . . . .	282,845	293,142	278,016	15,126
Board of education . . . . .	9,818	10,175	9,631	544
Administration . . . . .	714,605	740,621	740,817	(196)
Fiscal . . . . .	238,217	246,890	244,992	1,898
Operations and maintenance . . . . .	631,220	654,200	634,217	19,983
Pupil transportation . . . . .	348,337	361,019	350,360	10,659
Central . . . . .	124,191	128,712	126,413	2,299
Operation of non-instructional services . . . . .	70,436	73,000	72,596	404
Extracurricular activities . . . . .	229,707	238,070	230,611	7,459
Facilities acquisition and construction . . . . .	17,455	18,090	9,340	8,750
Total expenditures . . . . .	<u>7,007,881</u>	<u>7,263,009</u>	<u>7,071,020</u>	<u>191,989</u>
Excess of revenues over expenditures . . . . .	<u>453,779</u>	<u>206,399</u>	<u>385,253</u>	<u>178,854</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	500	500	869	369
Refund of prior year receipts . . . . .	(579)	(600)	(779)	(179)
Transfers (out) . . . . .	(244)	(253)	-	253
Sale of capital assets . . . . .	-	-	150	150
Total other financing sources (uses) . . . . .	<u>(323)</u>	<u>(353)</u>	<u>240</u>	<u>593</u>
Net change in fund balance . . . . .	453,456	206,046	385,493	179,447
<b>Fund balance at beginning of year . . . . .</b>	<b>1,373,125</b>	<b>1,373,125</b>	<b>1,373,125</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>26,204</b>	<b>26,204</b>	<b>26,204</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,852,785</u></b>	<b><u>\$ 1,605,375</u></b>	<b><u>\$ 1,784,822</u></b>	<b><u>\$ 179,447</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 34,615
Total assets. . . . .	<u>\$ 34,615</u>
<b>Liabilities:</b>	
Due to students . . . . .	\$ 34,615
Total liabilities . . . . .	<u>\$ 34,615</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1837 through the consolidation of existing land areas and school districts. The 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 District is staffed by 29 non-certified employees and 62 certified full-time teaching personnel who provide services to 819 students and other community members. The District currently operates three instructional/support buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Dayton Educational Cooperative Association

The 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 to 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. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts in 18 counties. 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. Any district withdrawing from the SOEPC forfeits 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. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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 SOITA 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.

Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, 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. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by 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. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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. 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 a component fund of the Troy Foundation. 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 District for operational subsidies. All funding is through gifts, donations and grants. Financial information can be obtained from Melissa Kleptz, Executive Director, The Troy Foundation, 216 West Franklin Street, Troy, Ohio 45373.

*INSURANCE PURCHASING POOL*

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The 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 Educational Service Centers and school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Southwestern Ohio Educational Purchasing Council Liability, Fleet & Property Insurance Program

The District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program, a group purchasing pool among members of the Southwestern Ohio Educational Purchasing Council. A seven member committee made up of member schools meet five to six times a year, has governing by-laws and is sanctioned by the Educational Purchasing Council Board and includes 37 school districts with combined student enrollment of 76,424 and combined values of \$1,961,864,211. The program is governed by the Southwestern Ohio Educational Purchasing Council and is a self-insurance package which allows the Council to: retain a portion of the predictable losses; transfer a portion of the catastrophic risk; broaden the district insurance program coverage's; budget for known maximum costs; and insulate the district from future market upheavals. The District paid \$22,850 to the group during fiscal year 2009 for property and casualty insurance. Specialty Claims Services, Inc. is responsible for processing claims. Arthur J. Gallagher & Co. is the sales and marketing representative, which establishes agreements between Southwestern Ohio EPC Insurance Program and member schools.

*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. Covington Board of Education approves the appointment of trustees to the library Board. 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 District for operational subsidies. Although the 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. Financial information can be obtained from the J. R. Clarke Public Library, Elaine Christian, who serves as Treasurer, 102 East Spring Street, Covington, Ohio 45318.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental 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 governmental funds.

**E. Budgets**

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 fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level.

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 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 DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a 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 fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificate of estimated resources in effect at the time the final appropriation resolution was passed by the Board of Education.

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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board of Education 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 fiscal year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year for all funds, other than the agency fund, consistent with statutory provisions.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. 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 shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$36,168, which includes \$4,017 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Vehicles	8 years

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of current service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount "that has matured". 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 noncurrent portion of the liability is not reported.

**J. Accrued Liabilities and Long-Term Obligations**

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

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**K. Fund Balance Reserves**

The 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, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, capital acquisition and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The amount restricted for other purposes represents amounts restricted by State statute for school bus purchases and amounts restricted for the education foundation fund (a nonmajor governmental fund).

**M. Estimates**

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

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook/instructional materials and capital acquisition reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balance**

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

<u>Nonmajor fund</u>	<u>Deficit</u>
IDEA part B	\$ 1,627
State fiscal stabilization	954

The above funds complied with Ohio law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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 securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 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 classifications by at least two nationally recognized rating agencies.



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$584,479. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$162,628 of the District's bank balance of \$793,643 was exposed to custodial risk as discussed below, while \$631,015 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2009, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	<u>\$ 1,618,427</u>	<u>\$ 1,618,427</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,618,427</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 584,479
Investments	1,618,427
Total	<u>\$ 2,202,906</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,168,291
Agency funds	34,615
Total	<u>\$ 2,202,906</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market 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 alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - PROPERTY TAXES - (Continued)**

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

The District receives property taxes from Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$91,433 in the general fund. The amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$73,972 in the general fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 88,207,540	93.50	\$ 89,060,590	95.28
Public utility personal	3,065,390	3.25	3,169,790	3.39
Tangible personal property	<u>3,063,510</u>	<u>3.25</u>	<u>1,242,490</u>	<u>1.33</u>
Total	<u>\$ 94,336,440</u>	<u>100.00</u>	<u>\$ 93,472,870</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$35.75		\$35.58	

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 6 - INCOME TAX**

The 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. The voters approved an additional one and a quarter percent income tax, for five years, effective January 2006. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of income and property taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 2,427,610
Accounts	9,132
Intergovernmental	18,370
Accrued interest	<u>2,218</u>
Total	<u>\$ 2,457,330</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 352,453	\$ -	\$ -	\$ 352,453
Total capital assets, not being depreciated	<u>352,453</u>	<u>-</u>	<u>-</u>	<u>352,453</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	835,692	8,090	-	843,782
Buildings and improvements	3,255,861	58,039	-	3,313,900
Furniture and equipment	907,617	100,420	(96,486)	911,551
Vehicles	411,911	11,991	-	423,902
Total capital assets, being depreciated	<u>5,411,081</u>	<u>178,540</u>	<u>(96,486)</u>	<u>5,493,135</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(506,408)	(29,595)	-	(536,003)
Buildings and improvements	(2,781,562)	(30,379)	25,158	(2,786,783)
Furniture and equipment	(594,359)	(77,655)	68,572	(603,442)
Vehicles	(342,951)	(22,686)	-	(365,637)
Total accumulated depreciation	<u>(4,225,280)</u>	<u>(160,315)</u>	<u>93,730</u>	<u>(4,291,865)</u>
Governmental activities capital assets, net	<u>\$ 1,538,254</u>	<u>\$ 18,225</u>	<u>\$ (2,756)</u>	<u>\$ 1,553,723</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 76,897
Special	1,279

Support services:

Pupil	276
Instructional staff	1,252
Board of education	54
Administration	2,399
Fiscal	708
Business	2,743
Operations and maintenance	2,550
Pupil transportation	21,123
Central	3,478
Extracurricular activities	45,819
Food service operations	<u>1,737</u>
Total depreciation expense	<u>\$ 160,315</u>

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During the current year and in a prior fiscal year, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$215,992. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$89,591, leaving a current book value of \$126,401. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2009 fiscal year totaled \$44,127 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 49,163
2011	49,163
2012	50,041
2013	10,497
2014	<u>9,850</u>
Total minimum lease payments	168,714
Less: Amount representing interest	<u>(22,445)</u>
Total	<u>\$ 146,269</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	Balance			Balance		Amounts
	Outstanding			Outstanding		Due in
	<u>06/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2009</u>	<u>One Year</u>	
<b>Governmental activities:</b>						
Capital lease obligation	\$ 144,386	\$ 46,010	\$ (44,127)	\$ 146,269	\$ 38,717	
Compensated absences	<u>557,122</u>	<u>64,590</u>	<u>(24,484)</u>	<u>597,228</u>	<u>12,243</u>	
Total long-term obligations, governmental activities	<u>\$ 701,508</u>	<u>\$ 110,600</u>	<u>\$ (68,611)</u>	<u>\$ 743,497</u>	<u>\$ 50,960</u>	

*Compensated absences:* Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$8,300,734 and an unvoted debt margin of \$92,230.

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Liability, Fleet & Property Insurance Program, a public entity self-insurance purchasing group. The District contracted with Arthur J. Gallagher & Co. for brokerage service. Coverage is provided by Selective Insurance Company of the Southeast, Federal Insurance Co (Chubb), Travelers Insurance & AIG Specialty Excess. Insurance coverage provided includes the following:

Building - Replacement Cost	\$18,817,690
Contents (\$1,000 deductible)	3,599,683
Automobile:	
Liability	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	3,000,000
Excess Liability Umbrella	5,000,000
Excess Property	300,000,000
Boiler and Machinery	100,000,000
School Board Legal Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2009, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The GRP is split into tiers grouping districts with similar experiences. 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 tier. Each participant pays its workers' compensation premium to the State based on the rate for the tier rather than its individual rate. Participation in the GRP is limited to credit rated school districts. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

**C. Medical Benefits**

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), a self funded benefit plan pool (Note 2.A.). The intent of the MBP is to achieve the benefit of reduced health insurance costs for the District by virtue of its grouping and representation with other participants in the MBP. Premium rates are calculated for each district based on a combination of the district's experience and the MBP experience. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts who are members of the EPC.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$78,698, \$78,507 and \$85,127, respectively; 43.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$442,288, \$427,261, and \$428,513, respectively; 83.17 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$20,369 made by the District and \$26,552 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$49,032, \$53,208 and \$45,645, respectively; 43.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,493, \$5,657 and \$5,789, respectively; 43.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$34,022, \$32,866 and \$32,963, respectively; 83.17 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ 385,493
Net adjustment for revenue accruals	(33,634)
Net adjustment for expenditure accruals	(57,055)
Net adjustment for other sources/uses	45,770
Adjustment for encumbrances	<u>87,111</u>
GAAP basis	<u>\$ 427,685</u>

**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2008	\$ (114,674)	\$ 76,982
Current year set-aside requirement	131,346	131,346
Qualifying disbursements	<u>(136,635)</u>	<u>(139,750)</u>
Total	<u>\$ (119,963)</u>	<u>\$ 68,578</u>
Balance carried forward to fiscal year 2010	<u>\$ (119,963)</u>	<u>\$ 68,578</u>

The District had qualifying expenditures during the year that reduced the textbook set-aside below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

In addition to the above statutory reserves, the District also received monies restricted by State statute for school bus purchases.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for capital acquisition	\$ 68,578
Amount restricted for school bus purchases	<u>13,990</u>
Total restricted assets	<u>\$ 82,568</u>

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

Board of Education  
Covington Exempted Village School District  
25 N. Grant Street  
Covington, Ohio 45318

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Covington Exempted Village School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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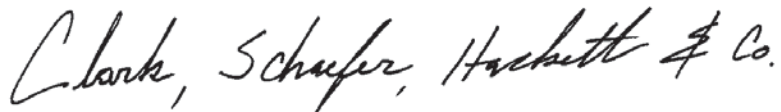
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated December 16, 2009.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio  
December 16, 2009

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Education  
Covington Exempted Village School District  
25 North Grant Street  
Covington, Ohio 45318

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on February 7, 2006, subsequently amended on November 19, 2007, and which is supplemented by the School District's Administrative Guidelines Section 5517.01.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

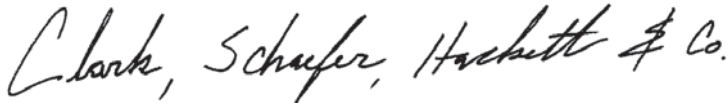
2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Springfield, Ohio  
December 16, 2009





**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 19, 2010**