



**COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 1999	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 1999	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 1999	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Enterprise Funds - For the Fiscal Year Ended June 30, 1999	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds - For the Fiscal Year Ended June 30, 1999	11
Combined Statement of Cash Flows - All Enterprise Funds - For the Fiscal Year Ended June 30, 1999	12
Notes to the Financial Statements	13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Covington Exempted Village School District, Miami County, (the District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Covington Exempted Village School District, Miami County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

JIM PETRO
Auditor of State

February 7, 2000

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,306,265	\$165,421	\$14,759	\$247,468
Cash and Cash Equivalents with Fiscal Agents	0	339	0	0
Receivables:				
Property and Other Taxes	1,928,077	0	0	0
Income Taxes	165,534	0	0	0
Accounts	8,444	1,959	0	0
Intergovernmental	1,637	0	0	0
Accrued Interest	1,496	0	0	0
Prepaid Items	9,008	0	0	0
Interfund Receivable	50,000	0	0	0
Inventory of Supplies and Materials	4,505	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	93,587	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	\$3,568,553	\$167,719	\$14,759	\$247,468
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$56,512	\$9,335	\$0	\$0
Contracts Payable	1,544	0	0	22,091
Accrued Wages and Benefits Payable	353,774	5,588	0	0
Intergovernmental Payable	107,532	5,831	0	0
Interfund Payable	0	0	0	50,000
Due to Students	0	0	0	0
Deferred Revenue	1,853,601	0	0	0
Compensated Absences Payable	35,749	0	0	0
Total Liabilities	2,408,712	20,754	0	72,091
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	232,556	36,312	0	200,189
Reserved for Inventory of Supplies and Materials	4,505	0	0	0
Reserved for Property Taxes	76,164	0	0	0
Reserved for Budget Stabilization	57,786	0	0	0
Reserved for School Bus Purchases	35,801	0	0	0
Unreserved, Undesignated (Deficit)	753,029	110,653	14,759	(24,812)
Total Fund Equity and Other Credits	1,159,841	146,965	14,759	175,377
Total Liabilities, Fund Equity and Other Credits	\$3,568,553	\$167,719	\$14,759	\$247,468

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ENTERPRISE	TRUST AND AGENCY			
\$70,591	\$49,144	\$0	\$0	\$1,853,648
0	0	0	0	339
0	0	0	0	1,928,077
0	0	0	0	165,534
2,518	0	0	0	12,921
8,625	0	0	0	10,262
0	0	0	0	1,496
0	0	0	0	9,008
0	0	0	0	50,000
1,910	0	0	0	6,415
8,649	0	0	0	8,649
0	0	0	0	93,587
28,800	0	5,089,713	0	5,118,513
0	0	0	14,759	14,759
0	0	0	304,970	304,970
<u>\$121,093</u>	<u>\$49,144</u>	<u>\$5,089,713</u>	<u>\$319,729</u>	<u>\$9,578,178</u>
\$2,181	\$0	\$0	\$0	\$68,028
0	0	0	0	23,635
8,333	0	0	0	367,695
21,140	0	0	33,302	167,805
0	0	0	0	50,000
0	26,535	0	0	26,535
3,608	0	0	0	1,857,209
4,278	0	0	286,427	326,454
<u>39,540</u>	<u>26,535</u>	<u>0</u>	<u>319,729</u>	<u>2,887,361</u>
0	0	5,089,713	0	5,089,713
81,553	0	0	0	81,553
0	22,000	0	0	491,057
0	0	0	0	4,505
0	0	0	0	76,164
0	0	0	0	57,786
0	0	0	0	35,801
0	609	0	0	854,238
<u>81,553</u>	<u>22,609</u>	<u>5,089,713</u>	<u>0</u>	<u>6,690,817</u>
<u>\$121,093</u>	<u>\$49,144</u>	<u>\$5,089,713</u>	<u>\$319,729</u>	<u>\$9,578,178</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST</u>	
Revenues:						
Property and Other Taxes	\$1,745,318	\$0	\$0	\$0	\$0	\$1,745,318
Income Taxes	425,558	0	0	0	0	425,558
Tuition and Fees	27,709	0	0	0	0	27,709
Interest	93,751	789	0	3,062	887	98,489
Intergovernmental	2,661,476	152,556	0	4,900	0	2,818,932
Extracurricular Activities	0	188,268	0	0	0	188,268
Gifts and Donations	0	32,315	0	191,604	19,511	243,430
Rent	4,256	0	0	0	0	4,256
Miscellaneous	2,440	0	0	0	0	2,440
Total Revenues	4,960,508	373,928	0	199,566	20,398	5,554,400
Expenditures:						
Current:						
Instruction:						
Regular	2,451,718	30,451	0	3,970	0	2,486,139
Special	358,750	62,487	0	0	0	421,237
Support Services:						
Pupils	83,783	2,007	0	0	0	85,790
Instructional Staff	152,008	12,018	0	0	0	164,026
Board of Education	5,468	0	0	0	0	5,468
Administration	546,857	74,267	0	0	0	621,124
Fiscal	181,610	0	0	0	0	181,610
Operation and Maintenance of Plant	476,685	491	0	0	0	477,176
Pupil Transportation	189,165	0	0	0	0	189,165
Central	226,521	3,976	0	0	0	230,497
Operation of Non-Instructional Services	63	380	0	0	22,250	22,693
Extracurricular Activities	132,582	121,776	0	0	0	254,358
Capital Outlay	0	0	0	35,591	0	35,591
Total Expenditures	4,805,210	307,853	0	39,561	22,250	5,174,874
Excess of Revenues Over (Under) Expenditure	155,298	66,075	0	160,005	(1,852)	379,526
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	2,746	0	0	0	0	2,746
Total Other Financing Sources	2,746	0	0	0	0	2,746
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	158,044	66,075	0	160,005	(1,852)	382,272
Fund Balances at Beginning of Year	1,003,304	80,890	14,759	15,372	24,461	1,138,786
Decrease in Reserve for Inventory	(1,507)	0	0	0	0	(1,507)
Fund Balances at End of Year	\$1,159,841	\$146,965	\$14,759	\$175,377	\$22,609	\$1,519,551

See Accompanying Notes to the General Purpose Financial Statements

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property and Other Taxes	\$1,735,610	\$1,735,610	\$0	\$0	\$0	\$0
Income Taxes	403,383	403,383	0	0	0	0
Tuition and Fees	28,179	28,179	0	0	0	0
Interest	93,354	93,354	0	789	789	0
Intergovernmental	2,684,165	2,684,165	0	141,295	141,295	0
Extracurricular Activities	0	0	0	186,549	186,549	0
Gifts and Donations	0	0	0	32,315	32,315	0
Rent	3,226	3,226	0	0	0	0
Miscellaneous	1,199	1,199	0	0	0	0
Total Revenues	4,949,116	4,949,116	0	360,948	360,948	0
Expenditures:						
Current:						
Instruction:						
Regular	2,473,840	2,473,840	0	40,999	40,999	0
Special	385,430	385,430	0	54,236	54,236	0
Support Services:						
Pupils	93,169	93,169	0	2,007	2,007	0
Instructional Staff	150,010	150,010	0	3,745	3,745	0
Board of Education	5,924	5,924	0	0	0	0
Administration	569,310	569,310	0	86,061	86,061	0
Fiscal	180,810	180,810	0	0	0	0
Operation and Maintenance of Plant	739,720	739,720	0	491	491	0
Pupil Transportation	206,858	206,858	0	0	0	0
Central	227,005	227,005	0	4,349	4,349	0
Operation of Non-Instructional Services	47	47	0	380	380	0
Extracurricular Activities	133,784	133,784	0	150,182	150,182	0
Capital Outlay	0	0	0	0	0	0
Total Expenditures	5,165,907	5,165,907	0	342,450	342,450	0
Excess of Revenues Over (Under) Expenditures	(216,791)	(216,791)	0	18,498	18,498	0
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	2,746	2,746	0	0	0	0
Refund of Prior Year Expenditures	4,291	4,291	0	309	309	0
Advances - In	72,243	72,243	0	0	0	0
Advances - Out	(50,000)	(50,000)	0	0	0	0
Total Other Financing Sources (Uses)	29,280	29,280	0	309	309	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(187,511)	(187,511)	0	18,807	18,807	0
Fund Balances at Beginning of Year	975,060	975,060	0	66,448	66,448	0
Prior Year Encumbrances Appropriated	342,939	342,939	0	29,939	29,939	0
Fund Balances at End of Year	\$1,130,488	\$1,130,488	\$0	\$115,194	\$115,194	\$0

See Accompanying Notes to the General Purpose Financial Statements

CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
3,062	3,062	0	887	887	0
94,695	94,695	0	0	0	0
0	0	0	0	0	0
191,604	191,604	0	19,511	19,511	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>289,361</u>	<u>289,361</u>	<u>0</u>	<u>20,398</u>	<u>20,398</u>	<u>0</u>
17,872	17,872	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	44,250	44,250	0
0	0	0	0	0	0
230,849	230,849	0	0	0	0
<u>248,721</u>	<u>248,721</u>	<u>0</u>	<u>44,250</u>	<u>44,250</u>	<u>0</u>
40,640	40,640	0	(23,852)	(23,852)	0
0	0	0	0	0	0
0	0	0	0	0	0
50,000	50,000	0	0	0	0
(72,243)	(72,243)	0	0	0	0
<u>(22,243)</u>	<u>(22,243)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
18,397	18,397	0	(23,852)	(23,852)	0
5,457	5,457	0	2,961	2,961	0
1,334	1,334	0	21,500	21,500	0
<u>\$25,188</u>	<u>\$25,188</u>	<u>\$0</u>	<u>\$609</u>	<u>\$609</u>	<u>\$0</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Operating Revenues:	
Sales	\$201,338
Charges for Services	49,223
Other	54
Total Operating Revenues	<u>250,615</u>
Operating Expenses:	
Salaries and Wages	113,736
Fringe Benefits	40,442
Purchased Services	8,861
Supplies and Materials	11,601
Cost of Sales	141,019
Other	300
Depreciation	2,821
Total Operating Expenses	<u>318,780</u>
Operating Loss	<u>(68,165)</u>
Non-Operating Revenues:	
Interest	826
Federal and State Subsidies	53,325
Federal Donated Commodities	19,423
Total Non-Operating Revenues	<u>73,574</u>
Net Income	5,409
Retained Earnings at Beginning of Year	<u>76,144</u>
Retained Earnings at End of Year	<u><u>\$81,553</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Sales	\$201,879	\$201,879	\$0
Charges for Services	48,976	48,976	0
Federal and State Subsidies	51,936	51,936	0
Interest	826	826	0
Total Revenues	303,617	303,617	0
Expenses:			
Salaries and Wages	112,810	112,810	0
Fringe Benefits	35,920	35,920	0
Purchased Services	9,825	9,825	0
Supplies and Materials	142,581	142,581	0
Other	300	300	0
Total Expenses	301,436	301,436	0
Excess of Revenues Over Expenses	2,181	2,181	0
Retained Earnings at Beginning of Year	54,240	54,240	0
Prior Year Encumbrances Appropriated	12,012	12,012	0
Retained Earnings at End of Year	\$68,433	\$68,433	\$0

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$250,321
Cash Payments for Employee Services and Benefits	(148,706)
Cash Payments to Suppliers for Goods and Services	(150,278)
Other Operating Expenses	(300)
Net Cash Used In Operating Activities	<u>(48,963)</u>
 Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	<u>51,936</u>
Net Cash Provided By Noncapital Financing Activities	<u>51,936</u>
 Cash Flows from Investing Activities:	
Interest	<u>826</u>
Net Cash Provided By Investing Activities	<u>826</u>
 Net Increase in Cash and Cash Equivalents	3,799
 Cash and Cash Equivalents Beginning of Year	<u>66,792</u>
 Cash and Cash Equivalents End of Year	<u><u>\$70,591</u></u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(\$68,165)
 Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	2,821
Donated Commodities Received	19,423
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(295)
Increase in Inventory of Supplies and Materials	(303)
Increase in Inventory Held for Resale	(1,915)
Decrease in Accounts Payable	(6,001)
Increase in Accrued Wages and Benefits Payable	383
Increase in Intergovernmental Payable	4,580
Increase in Compensated Absences Payable	509
Net Cash Used In Operating Activities	<u><u>(\$48,963)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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/or 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 the 505th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 37 non-certificated employees, 59 certificated full-time teaching personnel and 4 administrative employees who provide services to 955 students and other community members. The District currently operates 3 instructional buildings.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Covington Exempted Village School District, this includes general operations, food service, latchkey, 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District does not have any component units.

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

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

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

The District is associated with five jointly governed organizations, one insurance purchasing pool, and one related organization. These organizations are discussed in Note 17 to the general purpose financial statements. These organizations are:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

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

Jointly Governed:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

Related Organization:

J. R. Clarke Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types: (Continued)

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

Proprietary Fund Type:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

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

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Account Groups:

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary fund.

B. Measurement Focus and Basis of Accounting

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The District has no contributed capital. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

All funds, other than agency funds, are required to be budgeted and appropriated. The Bond Retirement Debt Service Fund had no anticipated revenues/expenditures and was not budgeted. The Title III, Preschool Grant, and Special Education Transition Funding Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the District.

The legal level of budgetary control is at the fund object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund, consistent with statutory provisions. Prior to year-end, the District passed supplemental appropriations that reflected actual expenditures plus encumbrances for the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

D. Cash and Investments

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

The District only invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$93,751, which includes \$15,339 assigned from other District funds. The Covington Board of Education has passed a resolution to allow interest to also be recorded in the District Managed Student Activities Special Revenue Fund, the High School Stadium Project Capital Projects Fund, the Felger Educational Foundation Expendable Trust Fund, and the Food Service Enterprise Fund. Interests in these funds amounted to \$789, \$3,062, \$887, and \$826, respectively.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

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

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

E. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 20 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and non-food supplies and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Professional Development Block Grant
- Preschool Grant
- Instructional Materials Subsidy
- Special Education Transition Funding

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Proprietary Fund

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

Grants and entitlements received in governmental funds amounted to 51 percent of the District's governmental fund revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The District records a liability for accumulated unused sick leave for all employees after ten years of current service with the District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Estimates

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory of supplies and materials, property taxes, budget stabilization, school bus purchases, textbooks, and capital acquisition. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Covington Exempted Village School District are included in the special revenue funds for GAAP reporting purposes.
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$158,044	\$66,075	\$160,005	(\$1,852)
Revenue Accruals	(7,101)	(1,410)	89,795	0
Expenditure Accruals	(92,439)	993	13,120	0
Prepaid Items	912	0	0	0
Advances	22,243	0	(22,243)	0
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	3,336	0	0
Encumbrances	(269,170)	(50,187)	(222,280)	(22,000)
Budget Basis	<u>(\$187,511)</u>	<u>\$18,807</u>	<u>\$18,397</u>	<u>(\$23,852)</u>

**Net Income/Excess of Revenues Over/(Under) Expenses
Proprietary Fund Type**

	<u>Enterprise</u>
GAAP Basis	\$5,409
Revenue Accruals	(20,572)
Expense Accruals	14,456
Materials and Supplies Inventory	303
Inventory Held for Resale	1,915
Encumbrances	(2,151)
Depreciation	<u>2,821</u>
Budget Basis	<u>\$2,181</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

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 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

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

The "Cash and Cash Equivalents with Fiscal Agent" of \$339 shown in the special revenue funds is maintained with the Miami County Educational Service Center. Disclosure regarding this amount can be obtained from their annual report.

Deposits At year end, the carrying amount of the District's deposits was \$906,270 and the bank balance was \$984,049. Of the bank balance:

9. \$100,000 was covered by federal depository insurance; and
10. \$884,049 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$1,040,965 at June 30, 1999.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash	Investments
	Equivalents/Deposits	Investments
GASB Statement 9	\$1,947,574	\$0
Cash and Cash Equivalent with Fiscal Agent	(339)	
Investments:		
STAR Ohio	(1,040,965)	1,040,965
GASB Statement 3	\$906,270	\$1,040,965

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 distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien on December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The 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, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 5 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$76,164 in the General Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$56,434,350	84.00%	\$64,627,230	84.00%
Tangible Personal Property	10,443,600	16.00	12,727,160	16.00
Total Assessed Value	<u>\$66,877,950</u>	<u>100.00%</u>	<u>\$77,354,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.16		\$44.22	

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. 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, 1999, consisted of both property and income taxes, accounts (student fees), accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Drivers Education Reimbursement	\$650
State Foundation Adjustments	<u>987</u>
Total General Fund	1,637
Enterprise Fund	
National School Lunch Program	<u>8,625</u>
Total Intergovernmental Receivables	<u>\$10,262</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$78,672
Less Accumulated Depreciation	<u>(49,872)</u>
Net Fixed Assets	<u><u>\$28,800</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$368,453	\$0	\$0	\$368,453
Buildings and Improvements	3,193,952	0	0	3,193,952
Furniture, Fixtures and Equipment	996,252	130,327	19,968	1,106,611
Vehicles	343,647	0	0	343,647
Construction in Progress	<u>0</u>	<u>77,050</u>	<u>0</u>	<u>77,050</u>
Totals	<u><u>\$4,902,304</u></u>	<u><u>\$207,377</u></u>	<u><u>\$19,968</u></u>	<u><u>\$5,089,713</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with Nationwide Insurance for property, fleet, and liability insurance. Coverages provided by these insurances are as follows:

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 1999, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). 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 workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$42,141, \$62,819, and \$78,711, respectively; 37.48 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$26,347 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$125,015, \$302,757, and \$329,065, respectively; 80.48 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$24,398 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$166,686 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$53,313.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 213 days for certified personnel and up to a maximum of 210 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for certified employees and up to a maximum of 45 days for classified employees.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. Medical/surgical benefits are provided by United Healthcare of Ohio and EPC Benefit Plan Trust. Dental coverage is supplied through EPC Dental Plan Trust. Vision insurance is provided to certified employees and administrators through VSP Insurance.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
Intergovernmental Payable	\$37,377	\$33,302	\$37,377	\$33,302
Compensated Absences	244,289	42,138	0	286,427
Total General Long-Term Obligations	<u>\$281,666</u>	<u>\$75,440</u>	<u>\$37,377</u>	<u>\$319,729</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

The District's overall legal debt margin was \$6,961,895 with an unvoted debt margin of \$77,354 at June 30, 1999.

NOTE 14 - INTERFUND ACTIVITY

As of June 30, 1999, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$50,000, while the High School Stadium Project Capital Projects Fund had an interfund payable of \$50,000.

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and latchkey programs. The table below reflects the more significant financial data relating to the enterprise funds of the Covington Exempted Village School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$187,458	\$13,934	\$49,223	\$250,615
Depreciation Expense	2,748	0	73	2,821
Operating Loss	(58,686)	(34)	(9,445)	(68,165)
Interest	826	0	0	826
Federal and State Subsidies	53,325	0	0	53,325
Donated Commodities	19,423	0	0	19,423
Net Income (Loss)	14,888	(34)	(9,445)	5,409
Fixed Assets Deletions	423	0	0	423
Net Working Capital	54,053	3,687	16,759	74,499
Total Assets	96,948	3,687	20,458	121,093
Long-Term Intergovernmental Payable	12,140	0	5,328	17,468
Long-Term Compensated Absences Payable	3,660	0	618	4,278
Total Equity	66,166	3,687	11,700	81,553
Encumbrances Outstanding at June 30, 1999	\$1,167	\$0	\$984	\$2,151

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 16 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Steed, Hammond and Paul, Inc.	Architectural Fees -Window Replacement	\$16,000
JMD Architectural	Windows	170,040
Klockner, Richard and Associates, Inc.	Stadium Project Services	12,000
Finrock Construction	Stadium 2000 Project	77,050
Mid-America Surfaces	Stadium 2000 Project	60,800
Dayton Power and Light	Stadium 2000 Project	93,000

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION

A. 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 for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$11,985 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, the School District paid \$10,793 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION (Continued)

A. Jointly Governed Organizations (Continued)

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$1,980 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Upper Valley Joint Vocational School - The Upper Valley Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. The District had no financial transactions with the Upper Valley Joint Vocational School during fiscal year 1999. 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 distinct political subdivision organized as a non-profit unincorporated association under the laws of the State of Ohio. The purpose of the Education Fund is to promote general education enrichment in the community of Covington. The Covington Education Fund is governed by a Distribution Committee appointed by each of the following: Star Bank of Troy, Covington Village Council, Covington Chamber of Commerce, Covington Board of Education and Newberry Township Trustees. The Distribution Committee possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. All funding is through gifts, donations and grants. The District had no financial transactions with the Covington Education Fund during fiscal year 1999. Financial information can be obtained from the Covington Education Fund, Larry Huffman, who serves as Treasurer, at 101 North High Street, Covington, Ohio 45318.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION (Continued)

B. 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 school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Related Organization

The J. R. Clarke Public Library - The J.R. Clarke Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of seven Trustees appointed by the Covington Exempted Village School District Board of Education. Each Trustee is in office for a term of seven years. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. 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. The District had no financial transactions with the J. R. Clarke Public Library during fiscal year 1999. Financial information can be obtained from the J. R. Clarke Public Library, 102 East Spring Street, Covington, Ohio 45318.

NOTE 18 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the District received \$2,204,820 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

NOTE 19 - CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

NOTE 20 - SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization. The District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$118,650	\$18,330	\$136,980
Current Year Set-aside Requirement	78,913	12,875	39,456	131,244
Current Year Offsets	(13,606)	0	0	(13,606)
Qualifying Disbursements	(79,023)	(131,525)	0	(210,548)
Total	<u>(\$13,716)</u>	<u>\$0</u>	<u>\$57,786</u>	<u>\$44,070</u>
Cash Balance Carried Forward to FY99	<u>\$0</u>	<u>\$0</u>	<u>\$57,786</u>	<u>\$57,786</u>
Amount restricted for School Bus Purchases				<u>35,801</u>
Total Restricted Assets				<u>\$93,587</u>

Although the District had offsets and qualifying disbursements for textbooks and instructional materials during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of Covington Exempted Village School District, Miami County, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 7, 2000.

Board of Education
Covington Exempted Village School District
Report of Independent Accountants on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

JIM PETRO
Auditor of State

February 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MARCH 16, 2000**