

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

**Basic Financial Statements
For the Fiscal Year Ended June 30, 2026**

Covington Exempted Village School District
Miami County, Ohio
Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

TABLE OF CONTENTS

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position - Cash Basis	1
Statement of Activities – Cash Basis	2

Fund Financial Statements:

Statement of Assets and Fund Balances - Cash Basis – Governmental Funds	3
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds	4

Notes to the Basic Financial Statements	5
---	---

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	41
Notes to the Budgetary Comparison Schedule	42

Covington Exempted Village School District

Miami County, Ohio

Statement of Net Position - Cash Basis

June 30, 2026

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 9,133,503</u>
 Net Position	
Restricted for:	
Debt Service	\$ 352,220
Facilities Maintenance	356,243
Student Activities	211,401
Education foundation - scholarships	693,470
Federal and State Grants	6,175
Food Service Operations	132,291
Unrestricted	<u>7,381,703</u>
 <i>Total Net Position</i>	 <u><u>\$ 9,133,503</u></u>

See accompanying notes to the basic financial statements

These financial statements have not been subjected to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District

Miami County, Ohio

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2026*

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 5,094,584	\$ 66,870	\$ 69,446	\$ -	\$ (4,958,268)
Special	3,729,625	151,070	828,385	-	(2,750,170)
Vocational	3,142	-	3,383	-	241
Student Intervention Services	31,338	-	-		(31,338)
Support Services:					
Pupil	887,198	-	-	-	(887,198)
Instructional Staff	265,110	-	-	-	(265,110)
Board of Education	12,888	-	-	-	(12,888)
Administration	1,077,207	-	-	-	(1,077,207)
Fiscal	345,098	31,552	-	-	(313,546)
Operation and Maintenance of Plant	1,342,037	21,341	-	-	(1,320,696)
Pupil Transportation	694,870	-	64,044	-	(630,826)
Central	134,822	-	6,175	-	(128,647)
Operation of Non-Instructional Services	651,474	224,147	370,395	-	(56,932)
Extracurricular Activities	822,793	265,598	65,294	-	(491,901)
Capital Outlay	1,629,982	-	-	16,500	(1,613,482)
Principal Retirement	235,000	-	-	-	(235,000)
Interest and Fiscal Charges	286,675	-	-	-	(286,675)
<i>Total Governmental Activities</i>	<u>\$ 17,243,843</u>	<u>\$ 760,578</u>	<u>\$ 1,407,122</u>	<u>\$16,500</u>	<u>(15,059,643)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					3,100,323
Debt Service					292,823
Income Taxes Levied for General Purposes					3,460,109
Income Taxes Levied for Capital Maintenance					47,892
Grants and Entitlements not Restricted to Specific Programs					6,570,651
Gifts and Donations not Restricted to Specific Programs					14,731
Interest					407,845
Miscellaneous					8,202
Unusual or Infrequent Item - high school roof damage					
Insurance Recoveries					169,985
High School Roof Replacement					<u>(77,806)</u>
<i>Total General Receipts and unusual or infrequent item</i>					<u>13,994,755</u>
Change in Net Position					(1,064,888)
<i>Net Position Beginning of Year</i>					<u>10,198,391</u>
<i>Net Position End of Year</i>					<u><u>\$ 9,133,503</u></u>

See accompanying notes to the basic financial statements
These financial statements have not been subjected to an audit or
review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2026

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,031,250	\$ 4,351,843	\$ 1,750,410	\$ 9,133,503
<i>Total Assets</i>	<u>\$ 3,031,250</u>	<u>\$ 4,351,843</u>	<u>\$ 1,750,410</u>	<u>\$ 9,133,503</u>
Fund Balances				
Restricted	\$ -	\$ -	\$ 1,751,800	\$ 1,751,800
Assigned	122,473	4,351,843	4,499	4,478,815
Unassigned	2,908,777	-	(5,889)	2,902,888
<i>Total Fund Balances</i>	<u>\$ 3,031,250</u>	<u>\$ 4,351,843</u>	<u>\$ 1,750,410</u>	<u>\$ 9,133,503</u>

See accompanying notes to the basic financial statements
These financial statements have not been subjected to an
audit or review engagement, and no assurance is
provided on them.

Covington Exempted Village School District
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2026

	General	Permanent Improvement	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 3,100,323	\$ -	\$ -	\$ 292,823	\$ 3,393,146
Income Taxes	3,460,109	-	-	47,892	3,508,001
Intergovernmental	7,117,965	-	-	646,612	7,764,577
Interest	230,636	160,311	-	16,898	407,845
Tuition and Fees	197,853	-	-	-	197,853
Rent	21,341	-	-	-	21,341
Extracurricular Activities	36,566	-	-	274,239	310,805
Contributions and Donations	54,994	12,000	-	177,433	244,427
Charges for Services	-	-	-	213,812	213,812
Miscellaneous	10,771	-	-	14,198	24,969
Total Receipts	14,230,558	172,311	-	1,683,907	16,086,776
Disbursements					
Current:					
Instruction:					
Regular	5,073,375	-	-	21,209	5,094,584
Special	3,423,029	-	-	306,596	3,729,625
Vocational	3,142	-	-	-	3,142
Student Intervention Services	31,338	-	-	-	31,338
Support Services:					
Pupil	883,910	-	-	3,288	887,198
Instructional Staff	265,110	-	-	-	265,110
Board of Education	12,888	-	-	-	12,888
Administration	1,077,207	-	-	-	1,077,207
Fiscal	307,908	-	-	37,190	345,098
Operation and Maintenance of Plant	1,142,875	18,822	-	180,340	1,342,037
Pupil Transportation	689,870	-	-	5,000	694,870
Central	134,822	-	-	-	134,822
Operation of Non-Instructional Services	1,029	-	-	650,445	651,474
Extracurricular Activities	506,653	3,225	-	312,915	822,793
Capital Outlay	-	15,927	-	1,614,055	1,629,982
Debt Service:					
Principal Retirement	-	-	-	235,000	235,000
Interest and Fiscal Charges	-	-	-	286,675	286,675
Total Disbursements	13,553,156	37,974	-	3,652,713	17,243,843
Excess of Receipts Over (Under) Disbursements	677,402	134,337	-	(1,968,806)	(1,157,067)
Other Financing Sources (Uses)					
Advances In	4,293	-	-	3,384	7,677
Advances Out	(3,384)	-	-	(4,293)	(7,677)
Insurance Recoveries	-	-	-	-	-
Transfers In	-	629,158	-	61,486	690,644
Transfers Out	(682,108)	(8,536)	-	-	(690,644)
Total Other Financing Sources (Uses)	(681,199)	620,622	-	60,577	-
Unusual or Infrequent Items - High School Roof Damage					
Insurance Recoveries	-	169,985	-	-	169,985
High School Roof Replacement	-	(77,806)	-	-	(77,806)
Total Unusual or Infrequent Items	-	92,179	-	-	92,179
Net Change in Fund Balances	(3,797)	847,138	-	(1,908,229)	(1,064,888)
Fund Balances Beginning of Year as Previously Reported	3,035,047	3,504,705	1,592,862	2,065,777	10,198,391
Adjustment: Capital Projects Nonmajor Fund	-	-	(1,592,862)	1,592,862	-
Fund Balances Beginning of Year as Adjusted	3,035,047	3,504,705	0	3,658,639	10,198,391
Fund Balances End of Year	\$ 3,031,250	\$ 4,351,843	\$ -	\$ 1,750,410	\$ 9,133,503

See accompanying notes to the basic financial statements
These financial statements have not been subjected to an audit or
review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Note 1 - Description of the School District and Reporting Entity

Covington Exempted Village School District (the "School District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines.

The School District serves an area of approximately 35 square miles. The School District operates one instructional/support facility in which services are provided to 748 students and other community members. The School District operates one instructional/support facility and has an average daily membership (ADM) of 746 students.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Covington Exempted Village School District, this includes general operations, food service, preschool, and student related activities of the School District.

B. Jointly Governed Organizations and Insurance Purchasing Pools

The School District participates in four jointly governed organizations and three insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association (META)
Southwestern Ohio Educational Purchasing Council (SOEPC)
Upper Valley Career Center
The Covington Education Fund

Related Organization:

The J.R. Clarke Public Library

Insurance Purchasing Pools:

Ohio School Boards Association Workers' Compensation Group Rating Plan
SOEPC Medical Benefits Plan
Ohio School Plan

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

These financial statements have not been subject to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. For the current fiscal year, the School District only has governmental funds.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District funds are classified as governmental.

Governmental: The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other nonexchange transactions as governmental funds. The following is the School District's major governmental funds:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

General Fund The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

Permanent Improvement Fund This fund is to account for and report the accumulation of income tax monies that have been transferred from the general fund that are assigned for expenditures in connection with purchase and construction, as well as repair and maintenance, of capital assets by the School District.

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds and the scholarship fund are presented as "Investments in Segregated Accounts" on the financial statements.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2026, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its

These financial statements have not been subject to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized costs basis that provides an NAV per share that approximates fair value.

For fiscal year 2026, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice of all deposits and withdrawals \$100 million is appreciated. STAR Ohio reserves the right to limit the transactions to \$250 million per day.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2026 was \$230,636, including \$84,428 assigned from other School District funds.

E. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Compensated Absences

Compensated absences are leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The School District does not offer noncash settlements.

School District employees earn sick, vacation and personal time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave.

Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension/OPEB Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

J. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, SBITA, or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments SBITA payments, and financed purchase payments are reported when paid.

K. Leases and SBITA's

The School District is a party to various agreements which would be classified as leases or SBITAs. However, due to the basis of accounting utilized to prepare the financial statements, liabilities for these agreements are not presented. Lease and subscription disbursements are recognized when paid.

L. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District's Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

N. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include resources for budget reserve, food service operations, classroom facilities maintenance, music and athletic programs, student-run activities, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

At June 30, 2026, the District does not have any net position restricted by enabling legislation.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

P. Unusual or infrequent item

Unusual or infrequent items are events and transactions that are distinguished by their unusual nature, the infrequency of their occurrence, or both. In March 2026, the high school gym flat roof

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

blew off due to straight-line winds. In fiscal year 2026, the School District received \$169,985 in insurances recoveries and had disbursements of \$77,806 for the temporary and then permanent replacement of the high school gym flat roof. The remaining cost of the replacement has since been paid and posted in fiscal year 2027.

Note 3 - Deposits and Investments

Investment Policies

State statues require the classification of the monies held by the School District into three categories:

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

(1) eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of deposits being secured

(2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of the State.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

At fiscal year-end, the carrying amount of the School District's deposits was \$32,458 and the bank balance was \$159,136. The bank balance is insured by the FDIC.

Investments

As of June 30, 2026, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 9,101,045	\$ 9,101,045
Total Investments	\$ 9,101,045	
Total Deposits	32,458	
Total	\$ 9,133,503	
Governmental - Equity in Pooled Cash and Cash Equivalents	\$ 9,133,503	

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The School District's investment policy limits investments to those authorized by State statute. At June 30, 2026, the School District's Investments in STAR Ohio was rated AAAM by Standard and Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. At June 30, 2026, 100% of the School District's investments were in STAR Ohio.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2026 represents collections of calendar year 2025 taxes. Real property taxes received in calendar year 2026 were levied after April 1, 2025, on the assessed value listed as of January 1, 2025, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2026 represents collections of calendar year 2025 taxes. Public utility real and tangible personal property taxes received in calendar year 2026 became a lien December 31, 2024, were levied after April 1, 2025, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2026, are available to finance fiscal year 2026 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2026 taxes were collected are:

	2025 Second- Half Collections		2026 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$139,891,600	95.10 %	\$187,245,780	95.45 %
Public Utilities	7,213,290	4.90 %	8,931,670	4.55%
Total	<u>\$147,104,890</u>	<u>100.00 %</u>	<u>\$196,177,450</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$33.15		\$31.90	

Note 5 - Income Tax

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on April 1, 1994 and is a continuing tax. The School District's residents also approved an additional one and a quarter percent, for five years, effective January 2006 and has been

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

subsequently renewed through 2030. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

An additional one-quarter percent continuing income tax was passed in May 2013, effective January 1, 2014, along with a 3.89 mill bond levy, to fund the construction of a new pre-kindergarten through eighth grade school facility and renovations to the existing high school building.

Income tax revenue credited to the General Fund in fiscal year 2026 is \$3,460,109. Income tax revenue credited to the Other Governmental Funds for facilities maintenance was \$47,892.

Note 6 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2026, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 13). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP.

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$38,480,443
Automobile Liability	5,000,000
Uninsured Motorist (\$0 deductible)	1,000,000
General Liability:	
Per Occurrence	5,000,000
Aggregate	7,000,000
Employers' Liability (Stop Gap)	5,000,000
Fiduciary Liability (\$2,500 deductible)	
Per Occurrence	5,000,000
Aggregate	7,000,000
Educational Legal Liability (\$2,500 deductible)	
Per Occurrence	5,000,000
Aggregate	7,000,000
Crime Per Occurrence (\$1,000 deductible)	100,000

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 the prior year.

B. Workers' Compensation

For fiscal year 2026, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to

These financial statements have not been subject to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. Sedgwick provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

Note 7 - Defined Benefit Pension Plans

The net pension/net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statement as a liability because of the use of the cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

A. Plan Description - School Employees Retirement System (SERS)

School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. In September 2025, the Board of Trustees

These financial statements have not been subject to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2026.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2026, the allocation to pension, death benefits, and Medicare B was 14%; 0% was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$299,615 for fiscal year 2026.

B. Plan Description - State Teachers Retirement System (STRS)

School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective June 1, 2025, through May 1, 2030, any member can retire with unreduced benefits with 32 years of service credit at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 27 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2030, through May 1, 2032, any member can retire with unreduced benefits with 33 years of service credit at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after June 1, 2032, any member can retire with unreduced benefits with 34 years of service credit at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

The CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the CO Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2026 employer and member contribution rates of 14% was equal to the statutory maximum rates. For fiscal year 2026, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$765,264 fiscal year 2026.

Net Pension Liability

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04571770%	0.03578300%	
Current Measurement Date	<u>0.04635240%</u>	<u>0.03617352%</u>	
Change in Proportionate Share	<u>0.00063470%</u>	<u>0.00039052%</u>	
Proportionate Share of the Net Pension Liability	\$2,059,162	\$6,578,141	\$8,637,302

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2025, are presented below:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Inflation	2.40%
Salary increases	3.25% to 13.58%
COLA or Ad Hoc COLA	2.0%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00% net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level % of Payroll)

In 2025, mortality rates were based on the following:

Service Retirement: PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Disabled Retirement: PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Contingent Survivor: PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	3%	1.12%
US Equity	22%	4.64%
Non-US Equity Developed	12%	4.79%
Non-US Equity Emerging	6%	5.34%
Fixed Income/Global Bonds	18%	2.60%
Private Equity	14%	7.02%
Real Estate	13%	3.85%
Infrastructure	7%	4.96%
Private Debt/Private Credit	5%	5.51%
Total	100%	

Discount Rate Total pension liability was calculated using the discount rate of 7.00%. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 19-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2025 was 14%. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return, 7.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2025 was 10.87%.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$3,352,936	\$2,059,162	\$970,255

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2025, actuarial valuation are presented below:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Inflation	2.50%
Salary increases	From 2.5% to 8.5% based on service
Payroll Increases	3.00%
Investment Rate of Return	7.00%, net of investment expenses, including inflation
Discount Rate of Return	7.00%
Cost-of-Living Adjustments (COLA)	0.00%

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2025 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26%	6.90%
International Equity	22%	7.70%
Alternatives	19%	9.10%
Fixed Income	22%	4.50%
Real Estate	10%	5.10%
Liquidity Reserves	1%	2.40%
Total	100%	

*Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net

These financial statements have not been subject to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2025. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2025.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the School District's proportionate share of the net pension liability as of June 30, 2025, calculated using the current period discount rate assumption of 7.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$10,975,298	\$6,578,141	\$2,859,786

Assumption and Benefit Changes Since the Prior Measurement Date - Effective July 1, 2025, a 1.5% one-time ad-hoc Cost-of-Living Adjustment (COLA) of the base benefit was granted to eligible benefit recipients. The COLA will be added to the base benefit on the retirement anniversary date and each month thereafter.

A one-time supplemental benefit payment for eligible benefit recipients who started receiving benefits in or prior to January 2024. The supplemental benefit of \$302 million was paid in December 2024.

Effective June 1, 2025, through May 1, 2030, any member can retire with unreduced benefits with 32 years of service credit at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 27 years of service credit at any age; or five years of service credit and age 60.

Effective June 1, 2030, through May 1, 2032, any member can retire with unreduced benefits with 33 years of service credit at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60.

Effective on or after June 1, 2032, any member can retire with unreduced benefits with 34 years of service credit at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

Note 8 – Defined Benefit OPEB Plans

See Note 7 for a description of the net OPEB liability (asset).

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non- certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2026, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2026, this amount was \$33,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2026, the School District's surcharge obligation was \$36,600.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$36,600 for fiscal year 2026.

B. State Teachers Retirement System (STRS)

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2026, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0465715%	0.03578300%	
Current Measurement Date	<u>0.0473390%</u>	<u>0.03617352%</u>	
Change in Proportionate Share	0.0007675%	0.00039052%	
Proportionate Share of the Net OPEB			
Liability (Asset)	\$560,759	(\$438,343)	\$122,416

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2025, compared with June 30, 2024, are presented below:

	June 30, 2025	June 30, 2024
Inflation	2.40%	2.40%
Projected salary increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Municipal bond index rate	5.20%	3.93%
Single Equivalent interest rate, net of plan investment expense, including inflation price	5.62%	4.88%
Health Care Cost Trend Rate	6.75 to 4.40%	7.00 to 4.40%

In 2025, the following mortality assumptions were used:

Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.

Disabled Retirees - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.

Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.

Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

Mortality Projection - Mortality rates are projected using a fully generational projection with Scale MP-2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	3%	1.12%
US Equity	22%	4.64%
Non-US Equity Developed	12%	4.79%
Non-US Equity Emerging	6%	5.34%
Fixed Income/Global Bonds	18%	2.60%
Private Equity	14%	7.02%
Real Estate/Real Assets	13%	3.85%
Infrastructure	7%	4.96%
Private Debt/Private Credit	5%	5.51%
Total	100%	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2025, was 5.62%. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.88%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be depleted in 2053 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2024 and the June 30, 2025 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 5.2% at June 20, 2025 and 3.93% at June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability, what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.62%) and higher (6.62%) than the current discount rate (5.62%). Also shown is what School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$740,172	\$560,759	\$417,689

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$394,071	\$560,759	\$778,240

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2025 actuarial valuation, compared with the June 30, 2024 actuarial valuation are presented below:

	June 30, 2025		June 30, 2024	
Projected salary increases	Varies by service from 2.50% to 8.50%		Varies by service from 2.50% to 8.50%	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Discount rate of return	7.00%		7.00%	
Payroll increases	3.00%		3.00%	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.00%	3.94%	7.50%	3.94%
Medicare	86.77%	3.94%	-112.22%	3.94%
Prescription Drug				
Pre-Medicare	8.00%	3.94%	8.00%	3.94%
Medicare	26.60%	3.94%	-15.14%	3.94%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub- 2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2025 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a

These financial statements have not been subject to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26%	6.90%
International Equity	22%	7.70%
Alternatives	19%	9.10%
Fixed Income	22%	4.50%
Real Estate	10%	5.10%
Liquidity Reserves	1%	2.40%
Total	100%	

*Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2025. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2025.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2025, calculated using the current period discount rate assumption of 7.00%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net OPEB (asset)	(\$269,569)	(\$438,343)	(\$584,218)
	1% Decrease <u>In Trend Rate</u>	Current Trend Rate	1% Increase <u>in Trend Rate</u>
School District's proportionate share of the net OPEB (asset)	(\$593,449)	(\$438,343)	(\$251,544)

Assumption Changes Since Last Valuation - Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2026. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

Note 9 – Long-Term Obligations

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

	Amount Outstanding <u>6/30/25</u>	Additions	Deletions	Amount Outstanding <u>6/30/26</u>	Amount Due in One Year
Governmental Activities					
General Obligation Bonds:					
Series 2013 Bonds					
Capital Appreciation	\$ 30,000	\$ -	\$ (5,000)	\$ 25,000	\$ 5,000
Accreted Interest	302,963	73,071	(85,000)	291,034	-
Series 2017 Refunding Bonds					
Current Interest	7,540,000	-	(145,000)	7,395,000	150,000
Capital Appreciation	385,000	-	-	385,000	-
Accreted Interest	1,237,764	60,597	-	1,298,361	-
Total Long Term Obligations	<u>\$ 9,495,727</u>	<u>\$ 133,668</u>	<u>\$ (235,000)</u>	<u>\$ 9,394,395</u>	<u>\$ 155,000</u>

2013 School Facilities Construction and Improvement Bonds On September 5, 2013, the School District issued \$9 million in general obligation serial bonds for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund. The issue is comprised of both current interest serial bonds, par value of \$8,935,000, and capital appreciation bonds, par value of \$65,000. The interest rates on the current interest bonds range from 1.0% to 6.0%. The capital appreciation bonds mature on November 1, 2022 through November 1, 2030 (stated interest rates ranging from 7.77% to 25.33%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$770,000 in total. Total accreted interest of \$302,963 for the Series 2013 capital appreciation bonds has been included in the table above. \$8,720,000 of these

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

bonds were refunded through the issuance of the 2017 refunding bonds discussed below, which revised the final maturity of these bonds to November 1, 2030.

2017 General Obligation Refunding Bonds On December 28, 2017, the School District issued \$8,725,000 in general obligation refunding bonds to provide resources to purchase U.S. Government securities which were placed, along with premium proceeds received from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of \$8,720,000 of the 2013 school facilities construction and improvement bonds at the call date of November 1, 2021. As a result, the refunded bonds are considered defeased and the liability associated with these bonds have been removed from the School District's long-term obligations shown in the table above.

The 2017 issue is comprised of both current interest serial bonds, par value of \$8,340,000, and capital appreciation bonds, par value of \$385,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature on November 1, 2032 through November 1, 2039 (stated interest rates ranging from 9.90% to 10.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,460,000 in total. Total accreted interest of \$1,237,764 for the 2017 capital appreciation bonds has been included in the long-term obligation table above. The final maturity date is November 1, 2051.

Legal Debt Limits The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530, which became effective March 20, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2026, the School District's voted debt margin was \$10,203,193, the energy conservation debt margin was \$1,765,597 and the unvoted debt margin was \$196,177.

The following is a summary of the School District's future annual debt service requirements to maturity for the general obligation bonds:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2027	\$ 155,000	\$ 380,775	\$ 535,775
2028	160,000	379,675	539,675
2029	165,000	373,375	538,375
2030	175,000	381,775	556,775
2031	180,000	379,875	559,875
2032-2036	885,000	2,117,975	3,002,975
2037-2041	600,000	2,209,175	2,809,175
2042-2046	2,070,000	839,875	2,909,875
2047-2051	2,765,000	372,212	3,137,212
2052	650,000	11,375	661,375
Subtotal	7,805,000	7,446,087	15,251,087
Accreted Interest-2013 Bonds	291,034	(291,034)	0
Accreted Interest-2017 Bonds	1,298,361	(1,298,361)	0
Total	<u>\$ 9,394,395</u>	<u>\$ 5,856,692</u>	<u>\$ 15,251,087</u>

Note 10 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Fund Balance	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Debt Retirement	\$ -	\$ -	\$ 352,220	\$ 352,220
Facilities Maintenance	-	-	356,243	356,243
Student Activities	-	-	211,401	211,401
Education Foundation - Scholarships	-	-	693,470	693,470
Federal and State grants	-	-	6,175	6,175
Food Service Operations	-	-	132,291	132,291
Total Restricted	-	-	1,751,800	1,751,800
Assigned for:				
Unpaid Obligations	20,348	-	-	20,348
Termination Benefits	50,671	-	-	50,671
Student Activities	51,454	-	-	51,454
Capital Projects	-	4,351,843	4,499	4,356,342
Total Assigned	122,473	4,351,843	4,499	4,478,815
Unassigned	2,908,777	-	(5,889)	2,902,888
Total Fund Balance	\$ 3,031,250	\$ 4,351,843	\$ 1,750,410	\$ 9,133,503

Note 11 – Deficit Fund Balance

At June 30, 2026, the School District reported a deficit fund balance in the amount of \$5,899 in other governmental funds. The Miscellaneous State Grant Fund had a deficit fund balance of \$5,000 and the Title II-A Supporting Effective Instruction had a deficit fund balance of \$889. Proper request(s) for funding have been submitted with Ohio Department of Education and Workforce and were received in the subsequent fiscal year. Ohio Law permits negative cash fund balance if appropriate requests for funding have been submitted and payment is expected in the subsequent fiscal year. The School District 's pooled cash and cash equivalent (primarily the General Fund) covers the deficit balance until grant funding is received.

Note 12 - Set-Aside Calculations

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisition and budget stabilization. State statute requires disclosing this information.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2025	\$0
Current Year Set-aside Requirement	184,943
Current Year Offsets-Income Tax Facilities Maintenance	(47,892)
Current Year Offsets-Transfers to Permanent Improvement	(629,158)
Total	(\$492,107)
Balance Carried Forward to FY 27	\$0
Set-aside Reserve Balance as of June 30, 2026	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount cannot be carried forward.

In fiscal year 2014, the School District issued \$9,000,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented each year as a “qualifying offset from bond proceeds” is limited to an amount needed to reduce the reserve for capital improvement to zero. For fiscal year 2026, the School District did not allocate any funds in offsets from the above noted bonds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$8,854,148 at June 30, 2026.

Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools

A. Jointly Governed Organizations

META Solutions – The School District is a participant in the META Solutions, which is a computer consortium. META develops, implements, and supports the technology and instruction needs of schools. The Board of Directors of META consists of a president and vice president along with 11 members. The School District paid META \$32,936 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, OH 43302.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 339 school districts/organizations in 58 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC 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

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

made from the general fund. During fiscal year 2026, the School District did not pay any membership fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Upper Valley Career Center - The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative 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 school districts and/or educational service center: Piqua, Sidney, and Troy City School Districts and Midwest Regional Educational Service Center. To obtain financial information, write to the Upper Valley Career Center, Anthony Fraley, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

The Covington Education Fund - The Covington Education Fund is a component fund of the Troy Foundation. The purpose of the Education Fund is to promote general education enrichment in the community of Covington. The Covington Education Fund is governed by a Distribution Committee appointed by each of the following: Star Bank of Troy, Covington Village Council, Covington Chamber of Commerce, Covington Board of Education, and Newberry Township Trustees. The Distribution Committee possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Financial information can be obtained from Melissa Kleptz, President and CEO, The Troy Foundation, 216 West Franklin Street, Troy, Ohio, 45373.

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. Covington Board of Education approves the appointment of trustees to the Library Board. Each Trustee is in office for a term of seven years.

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the J.R. Clarke Public Library, Mary Beth Benedict, who serves as Fiscal Officer, 102 East Spring Street, Covington, Ohio 45318.

C. Insurance Purchasing Pools

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

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

information can be obtained from Teri Morgan, Senior Deputy Director of Board and Management Services, at 8050 North High Street Suite 100, Columbus, Ohio 45235.

The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the Program's selection criteria. Sedgwick provides administrative, cost control, and actuarial services to the Program.

Southwestern Ohio Educational Purchasing Council Medical Benefit Plan Trust - The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by a six-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program. During fiscal year 2026, the School District paid \$1,535,616 for medical benefits.

Ohio School Plan - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created pursuant to and authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13- member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting claims management, accounting, system support services, sales, and marketing to the OSP. Hyland Administrative Service, LLC, also coordinates reinsurance brokerage services for the OSP.

Note 14 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2026.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional DEW adjustments for fiscal year 2026 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2026 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Note 15 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 16 – Contractual Commitments

The School District records all encumbrances and does not have a policy of what encumbrances are considered significant encumbrances. All encumbrances are classified as assigned fund balance in the General Fund and restricted or committed in the major and non-major governmental funds.

Encumbrances as of year-end were:

Governmental Funds	Assigned	Restricted
General	\$20,348	\$0
Permanent Improvement	119,962	0
Other Governmental Funds	4,499	78,689
	<u>\$144,809</u>	<u>\$78,689</u>

Note 17 – Transfers and Advances

The following is a summary of the School District's transfers in and out for all funds for fiscal year 2026:

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 682,108
Permanent Improvement	629,158	8,536
Other Governmental Funds	<u>61,486</u>	<u>-</u>
Total All Funds	<u>\$ 690,644</u>	<u>\$ 690,644</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following is a summary of the School District's advances in and out for all funds for fiscal year 2026:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$ 4,293	\$ 3,384
Other Governmental Funds	<u>3,384</u>	<u>4,293</u>
Total All Funds	<u>\$ 7,677</u>	<u>\$ 7,677</u>

Advances represent the temporary transfer of cash resources with the expectation of repayment. During the current year, advances out from the general fund represented a short-term loan to prohibit a student-managed account (an other governmental fund) from having a deficit fund balance.

Note 18- Change within the Financial Reporting Entity

For fiscal year 2026, the Capital Projects Fund changed from major to nonmajor as a result of no longer meeting the major fund criteria.

Note 19 – Implementation of New Accounting Policies

For fiscal year 2026, the School District has implemented GASB Statement No. 103, "Financial Reporting Model Improvements" and GASB Statement No. 104, "Disclosure of Certain Capital Assets".

GASB Statement No. 103 provides updates to the management's discussion and analysis (MD&A), unusual or infrequent items, required supplementary information and proprietary fund reporting. The updated disclosures affecting the School District for GASB Statement No. 103 can be found in the required supplementary information.

Covington Exempted Village School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

GASB Statement No. 104 requires additional/separate disclosure for various types of capital assets. This statement had no effect on the School District, because the School District uses the cash basis of accounting.

Covington Exempted Village School District
Miami County, Ohio

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget- over (under) Final Budget)		Variance with Final Budget over (under) Actual Amounts
	Original	Final		Actual	
Budgetary Receipts					
Property Taxes	\$ 2,716,281	\$ 2,716,281	\$ -	\$ 3,100,323	\$ 384,042
Income Taxes	3,710,000	3,710,000	-	3,508,001	(201,999)
Intergovernmental	6,780,933	6,780,933	-	7,117,965	337,032
Interest	250,000	250,000	-	230,636	(19,364)
Tuition and Fees	87,000	87,000	-	197,853	110,853
Extracurricular Activities	5,000	5,000	-	10,067	5,067
Rent	20,000	20,000	-	21,341	1,341
Contributions and Donations	12,500	12,500	-	14,731	2,231
Miscellaneous	2,500	2,500	-	6,747	4,247
<i>Total Budgetary Receipts</i>	<u>13,584,214</u>	<u>13,584,214</u>	<u>-</u>	<u>14,207,664</u>	<u>623,450</u>
Budgetary Disbursements					
Current:					
Instruction:					
Regular	4,843,759	4,970,000	126,241	4,965,799	(4,201)
Special	2,845,197	3,425,000	579,803	3,425,884	884
Vocational	3,433	3,500	67	3,142	(358)
Student Intervention Services	30,099	32,000	1,901	31,338	(662)
Support Services:					
Pupil	850,685	880,000	29,315	883,910	3,910
Instructional Staff	329,086	250,000	(79,086)	256,444	6,444
Board of Education	17,095	13,000	(4,095)	12,888	(112)
Administration	1,026,196	1,075,000	48,804	1,073,609	(1,391)
Fiscal	290,748	310,000	19,252	307,908	(2,092)
Operation and Maintenance of Plant	1,010,794	1,150,000	139,206	1,146,821	(3,179)
Pupil Transportation	501,615	700,000	198,385	690,252	(9,748)
Central	90,617	135,000	44,383	134,822	(178)
Operation of Non-Instructional Services	979	1,500	521	1,029	(471)
Extracurricular Activities	440,504	496,807	56,303	494,428	(2,379)
Capital Outlay		10,000	10,000	9,938	(62)
<i>Total Budgetary Disbursements</i>	<u>12,280,807</u>	<u>13,451,807</u>	<u>1,171,000</u>	<u>13,438,212</u>	<u>(13,595)</u>
<i>Budgetary excess of Receipts Over (Under) Disbursements</i>	<u>1,303,407</u>	<u>132,407</u>	<u>(1,171,000)</u>	<u>769,452</u>	<u>637,045</u>
Budgetary Other Financing Sources (Uses)					
Advances In	4,000	4,000	-	4,293	293
Advances Out	-	(3,500)	(3,500)	(3,384)	116
Refund of Prior Year Expenditures	-	-	-	1,455	1,455
Transfers Out	(730,000)	(730,000)	-	(730,000)	-
Other Financing Uses	-	(500)	(500)	(385)	115
<i>Total Budgetary Other Financing Sources (Uses)</i>	<u>(726,000)</u>	<u>(730,000)</u>	<u>(4,000)</u>	<u>(728,021)</u>	<u>1,979</u>
<i>Net Change in Fund Balance</i>	<u>577,407</u>	<u>(597,593)</u>	<u>(1,175,000)</u>	<u>41,431</u>	<u>639,024</u>
<i>Budgetary Fund Balance Beginning of Year</i>	<u>2,856,541</u>	<u>2,856,541</u>	<u>-</u>	<u>2,856,541</u>	<u>-</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>10,807</u>	<u>10,807</u>	<u>-</u>	<u>10,807</u>	<u>-</u>
<i>Budgetary Fund Balance End of Year</i>	<u>\$ 3,444,755</u>	<u>\$ 2,269,755</u>	<u>\$ (1,175,000)</u>	<u>\$ 2,908,779</u>	<u>\$ 639,024</u>

See accompanying notes to the budgetary comparison schedule.

These financial statements have not been subjected to an audit or review engagement, and no assurance is provided on them.

Covington Exempted Village School District
Miami County, Ohio
Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2026

Note 1 - Budgetary Basis of Accounting

Budgetary Process

Ohio law requires all funds, other than custodial funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate.

The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statement reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

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

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Budgetary Comparison Schedule presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis are as follows:

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis) and
- 2.) Perspective differences - activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

Covington Exempted Village School District
Miami County, Ohio
Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2026

Cash Basis	\$ (3,797)
Encumbrances	(20,009)
Perspective Differences	<u>65,237</u>
Budgetary Basis	<u><u>\$ 41,431</u></u>

Note 2 – Actual Budget Results

	<u>General Fund over (under)</u>
Budgetary Revenues	
<i>Differences - final budget to actual</i>	
Property taxes - Property tax revenue over budget is due to the Tax Year 2025 reappraisals.	\$ 384,042
Income Taxes - Income tax actual revenue was below budget and represents an actual decrease in collections from the prior-year actual for the District's 2% income tax.	(201,999)
Intergovernmental - The increase in intergovernmental revenue was due partially to increased property tax state reimbursements and partially to increased state foundation funding and special education reimbursements.	337,032
Budgetary Expenditures	
<i>Differences - original budget to final budget</i>	
Special Instruction - Special Instruction budgetary expenditures were increased from the original to the final budget to account for increased special education expenditures, including ESC costs.	579,803
Pupil Transportation - Transportation expenditures, similar to special instructions expenditures, were increased from the original to the final budget to account for increased special education expenditures, including ESC costs.	198,385