



Dave Yost · Auditor of State



**GOSHEN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

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CLERMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Goshen Local School District  
Clermont County  
6694 Goshen Rd.  
Goshen, Ohio 45122

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goshen Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goshen Local School District, Clermont County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Goshen Local School District  
Clermont County  
Independent Accountants' Report  
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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards of receipts and expenditure schedule provide additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

October 1, 2012

## **GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

As management of the Goshen Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the governmental financial statements and the notes to the financial statements to enhance their understanding of the School District's performance.

### **Financial Highlights**

- The assets of the Goshen Local School District exceeded its liabilities at June 30, 2012 by \$28,749,307. Of this amount, \$1,602,868 may be used to meet the School District's ongoing financial obligations. The remaining amount represents capital assets net of related debt and net assets amounts restricted for specific purposes.
- The School District's net assets decreased \$1,410,100 during this fiscal year's operations.
- General revenues accounted for \$21,506,287 of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for \$6,311,516 of total revenues of \$27,817,803.
- The School District had \$29,227,903 in expenses related to governmental activities; only \$6,311,516 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

### **Using the Basic Financial Statements**

This report consists of a series of financial statements and the notes to the financial statements. These statements are organized so the reader can understand Goshen Local School District as a whole, an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Goshen Local School District are the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities, which appears first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

#### **Fund Financial Statements**

The analysis of the School District's major funds begins on page seven. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

***Governmental Funds*** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

**Fiduciary Funds** - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

### **The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

(Table 1)  
Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$13,706,392	\$14,049,240	(\$342,848)
Capital Assets, Net	33,055,396	34,873,878	(1,818,482)
Total Assets	<u>46,761,788</u>	<u>48,923,118</u>	<u>(2,161,330)</u>
<b>Liabilities</b>			
Other Liabilities	7,456,615	7,826,563	(369,948)
Long-Term Liabilities	10,555,866	10,937,148	(381,282)
Total Liabilities	<u>18,012,481</u>	<u>18,763,711</u>	<u>(751,230)</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	24,313,451	26,011,343	(1,697,892)
Restricted	2,832,988	2,826,757	6,231
Unrestricted	1,602,868	1,321,307	281,561
Total Net Assets	<u>\$28,749,307</u>	<u>\$30,159,407</u>	<u>(\$1,410,100)</u>

Net assets decreased \$1,410,100. Capital assets, net and invested in capital assets, net of related debt decreased significantly as a result of annual depreciation expense. Unrestricted net assets increased significantly due to an increase in State aid received by the School District as compared to the prior fiscal year.

**GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2012  
 Unaudited

Table 2 shows the highlights of the School District's revenues and expenses for fiscal years 2012 and 2011. These two main components are subtracted to yield the change in net assets. This table uses the full accrual basis of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, and contributions. General Revenues include property and income taxes, unrestricted grants, such as State foundation support, unrestricted interest, and revenue in lieu of taxes.

(Table 2)  
 Change in Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$2,338,440	\$1,967,613	\$370,827
Operating Grants, Contributions and Interest	3,973,076	5,527,070	(1,553,994)
Total Program Revenues	<u>6,311,516</u>	<u>7,494,683</u>	<u>(\$1,183,167)</u>
General Revenues:			
Property Taxes	6,600,057	7,149,139	(549,082)
Income Tax	2,860,982	2,758,300	102,682
Grants and Entitlements not Restricted to Specific Programs	11,429,738	10,813,470	616,268
Contributions not Restricted to Specific Programs	1,600	0	1,600
Interest	40,010	15,540	24,470
Revenue in Lieu of Taxes	83,472	66,476	16,996
Miscellaneous	<u>490,428</u>	<u>339,369</u>	<u>151,059</u>
Total General Revenues	<u>21,506,287</u>	<u>21,142,294</u>	<u>363,993</u>
Total Revenues	<u>\$27,817,803</u>	<u>\$28,636,977</u>	<u>(\$819,174)</u>

(continued)

**GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2012  
 Unaudited

	Governmental Activities		
	2012	2011	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$11,243,211	\$11,341,389	\$98,178
Special	4,027,663	2,522,493	(1,505,170)
Vocational	411,737	402,968	(8,769)
Support Services:			
Pupils	2,404,386	2,900,818	496,432
Instructional Staff	1,833,789	3,690,767	1,856,978
Board of Education	38,345	36,626	(1,719)
Administration	1,706,804	1,461,666	(245,138)
Fiscal	582,460	543,166	(39,294)
Business	179,897	132,744	(47,153)
Operation and Maintenance of Plant	2,068,545	1,628,860	(439,685)
Pupil Transportation	2,195,803	2,098,515	(97,288)
Operation of Non-Instructional Services:			
Food Service Operations	1,358,977	1,281,985	(76,992)
Other	22,282	27,196	4,914
Extracurricular Activities	585,873	508,662	(77,211)
Interest and Fiscal Charges	568,131	594,530	26,399
Total Expenses	<u>29,227,903</u>	<u>29,172,385</u>	<u>(55,518)</u>
Decrease in Net Assets	(1,410,100)	(535,408)	(874,692)
Net Assets at Beginning of Year	30,159,407	30,694,815	(535,408)
Net Assets at End of Year	<u>\$28,749,307</u>	<u>\$30,159,407</u>	<u>(\$1,410,100)</u>

Grants and entitlements not restricted to specific programs and property taxes made up the largest portion of revenues for governmental activities of the Goshen Local School District for fiscal year 2012.

For the fiscal year 2012, the School District only experienced less than a one percent increase in expenses with an approximately three percent decrease in revenues. Operating grants, contributions and interest decreased in the amount of \$1,553,994 due primarily to the receipt of additional restricted grant monies, both State and federal in fiscal year 2011. However, such monies were not received in fiscal year 2012 as they were not reoccurring grants. Property taxes revenue decreased significantly as a result of a significant decrease in delinquent taxes. Special instruction expenses decreased \$1,505,170 which was offset by an increase in support services-instructional staff expenses.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference between these two columns for each fiscal year would represent restricted grants, fees and donations.

(Table 3)  
Governmental Activities

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
Instruction	\$15,682,611	\$14,266,850	\$11,912,161	\$9,829,573
Support Services	11,010,029	12,493,162	9,881,857	10,836,931
Operation of Non-				
Instructional Services	1,381,259	1,309,181	112,885	104,006
Extracurricular Activities	585,873	508,662	441,353	312,662
Interest and Fiscal Charges	568,131	594,530	568,131	594,530
Total Expenses	<u><u>\$29,227,903</u></u>	<u><u>\$29,172,385</u></u>	<u><u>\$22,916,387</u></u>	<u><u>\$21,677,702</u></u>

### **The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$28,148,278 and expenditures of \$27,769,069. The net change in fund balance for the fiscal year in the General Fund was an increase of \$151,954. This was primarily due to an increase in State aid received by the School District as compared to the prior fiscal year.

The Bond Retirement Fund saw an increase of \$89,275. This is the result of the School District collecting greater property tax revenues than what was required to meet its annual debt obligations.

The Permanent Improvement Fund saw an increase of \$71,393. This was primarily due to the School District collecting greater property tax revenues than what was required to meet its annual debt obligations.

### **General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2012, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

The School District's ending unobligated cash balance was \$692,546 above the final budgeted amount in the General Fund.

For the General Fund, original budget basis revenues were \$22,902,326 with final budget estimates of \$22,278,634. The difference was due mainly to overestimating intergovernmental revenues. Actual budget basis revenue was \$692,988 above final budget estimates. This time the difference was a result of the School District underestimating intergovernmental revenues at fiscal year-end.

Original budget basis expenditures were \$24,112,931, while final budgeted expenditures were \$24,215,185. The variance is insignificant. Actual expenditures were \$442 above final budgeted expenditures, which is also insignificant.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

The Goshen Local School District's investment in capital assets as of June 30, 2012, was \$33,055,396. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net capital assets decreased \$1,818,482 from the prior fiscal year. This is due to depreciation expense for the fiscal year.

For more information on capital assets, refer to Note 9 to the basic financial statements.

#### *Debt*

At June 30, 2012 the School District had \$8,911,111 in bonds, certificates of participation, and capital leases outstanding, with \$592,734 due within one year. The School District long-term obligations also include compensated absences.

The School District's overall legal debt margin was \$19,664,013 with an unvoted debt margin of \$241,472 at June 30, 2012.

For more information on debt, refer to Note 15 to the basic financial statements.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

### **District Challenges for the Future**

The Goshen Local School District has been rated excellent for the third consecutive year. However, like many other school districts in Ohio, the School District faces a huge challenge when it comes to finances and budgeting. The State of Ohio is currently looking at the way schools are funded throughout the State. The State is also working on a new funding formula to take affect for the 2012-2013 school year. Governor Kasich has enacted House Bill 153 which will have a major impact on the operations of schools in Ohio. The state of the nation's economy has a huge impact on the financial situation in Ohio, which will make funding very difficult in the next few years. Also, Ohio's core curriculum law for graduating students in future years will be a staffing problem for many school districts in the State. It is difficult for school districts to find teachers certified in math, science, and foreign language. The new requirements will make it increasingly difficult for all school districts.

Goshen is also a community set for large growth. However, with today's economy, it could be a number of years before this growth happens. Providing services as well as housing all of the students will be an issue in the future. The School District does have a vision plan for the growth, however, uncertainty regarding the timing of such growth makes planning difficult.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Todd Shinkle, Treasurer, at Goshen Local School District, 6694 Goshen Road, Goshen, Ohio 45122.

**GOSHEN LOCAL SCHOOL DISTRICT**

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,895,877
Cash and Cash Equivalents with Fiscal Agents	465,066
Inventory Held for Resale	5,772
Materials and Supplies Inventory	2,248
Accrued Interest Receivable	5,274
Accounts Receivable	63,030
Intergovernmental Receivable	106,257
Property Taxes Receivable	6,707,973
Income Tax Receivable	1,211,519
Revenue in Lieu of Taxes Receivable	74,210
Deferred Charges	169,166
Capital Assets:	
Land	855,205
Depreciable Capital Assets, Net	<u>32,200,191</u>
<i>Total Assets</i>	<u>46,761,788</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	360,982
Accrued Wages and Benefits Payable	1,823,167
Intergovernmental Payable	806,676
Accrued Interest Payable	21,988
Matured Compensated Absences Payable	11,396
Contracts Payable	240,530
Deferred Revenue	4,191,876
Long-Term Liabilities:	
Due Within One Year	671,802
Due in More Than One Year	<u>9,884,064</u>
<i>Total Liabilities</i>	<u>18,012,481</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	24,313,451
Restricted for Debt Service	1,578,291
Restricted for Capital Outlay	1,060,081
Restricted for Other Purposes	115,851
Restricted for Classroom Facilities	76,633
Restricted for Set-Asides	2,132
Unrestricted	<u>1,602,868</u>
<i>Total Net Assets</i>	<u>\$28,749,307</u>

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**

Statement of Activities

For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$11,243,211	\$1,569,964	\$78,919	(\$9,594,328)
Special	4,027,663	145,939	1,941,777	(1,939,947)
Vocational	411,737	0	33,851	(377,886)
Support Services:				
Pupils	2,404,386	0	395,372	(2,009,014)
Instructional Staff	1,833,789	52,168	448,022	(1,333,599)
Board of Education	38,345	0	0	(38,345)
Administration	1,706,804	0	123,729	(1,583,075)
Fiscal	582,460	0	0	(582,460)
Business	179,897	0	0	(179,897)
Operation and Maintenance of Plant	2,068,545	20,060	0	(2,048,485)
Pupil Transportation	2,195,803	14,335	74,486	(2,106,982)
Operation of Non-Instructional Services:				
Food Service Operations	1,358,977	391,454	854,274	(113,249)
Other	22,282	0	22,646	364
Extracurricular Activities	585,873	144,520	0	(441,353)
Interest and Fiscal Charges	568,131	0	0	(568,131)
<i>Total Governmental Activities</i>	<u>\$29,227,903</u>	<u>\$2,338,440</u>	<u>\$3,973,076</u>	<u>(22,916,387)</u>
<b><u>General Revenues:</u></b>				
Property Taxes Levied for:				
General Purposes			4,970,524	
Debt Service			464,886	
Capital Improvement			1,069,161	
Classroom Facilities Maintenance			95,486	
Income Tax			2,860,982	
Grants and Entitlements not				
Restricted to Specific Programs			11,429,738	
Contributions not Restricted to Specific Programs			1,600	
Interest			40,010	
Revenue in Lieu of Taxes			83,472	
Miscellaneous			<u>490,428</u>	
<i>Total General Revenues</i>			<u>21,506,287</u>	
<i>Change in Net Assets</i>			(1,410,100)	
<i>Net Assets at Beginning of Year</i>			<u>30,159,407</u>	
<i>Net Assets at End of Year</i>			<u>\$28,749,307</u>	

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,949,604	\$950,776	\$746,563	\$246,802	\$4,893,745
Cash and Cash Equivalents with Fiscal Agents	0	465,066	0	0	465,066
Receivables:					
Property Taxes	4,997,857	526,407	1,089,237	94,472	6,707,973
Revenue in Lieu of Taxes	74,210	0	0	0	74,210
Income Tax	1,211,519	0	0	0	1,211,519
Accounts	63,030	0	0	0	63,030
Intergovernmental	0	0	0	106,257	106,257
Accrued Interest	5,274	0	0	0	5,274
Interfund	61,327	0	0	0	61,327
Inventory Held for Resale	0	0	0	5,772	5,772
Materials and Supplies Inventory	0	0	0	2,248	2,248
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	2,132	0	0	0	2,132
<i>Total Assets</i>	<i>\$9,364,953</i>	<i>\$1,942,249</i>	<i>\$1,835,800</i>	<i>\$455,551</i>	<i>\$13,598,553</i>
 <b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$239,974	\$0	\$103,100	\$17,908	\$360,982
Accrued Wages and Benefits Payable	1,664,274	0	6,476	152,417	1,823,167
Contracts Payable	240,530	0	0	0	240,530
Intergovernmental Payable	771,164	0	1,103	34,409	806,676
Matured Compensated Absences Payable	11,396	0	0	0	11,396
Deferred Revenue	3,611,641	363,377	714,277	76,222	4,765,517
Interfund Payable	0	0	0	61,327	61,327
<i>Total Liabilities</i>	<i>6,538,979</i>	<i>363,377</i>	<i>824,956</i>	<i>342,283</i>	<i>8,069,595</i>
 <b>Fund Balances:</b>					
Nonspendable	0	0	0	2,248	2,248
Restricted	2,132	1,578,872	1,010,844	172,315	2,764,163
Committed	11,000	0	0	0	11,000
Assigned	160,237	0	0	0	160,237
Unassigned (Deficit)	2,652,605	0	0	(61,295)	2,591,310
<i>Total Fund Balances</i>	<i>2,825,974</i>	<i>1,578,872</i>	<i>1,010,844</i>	<i>113,268</i>	<i>5,528,958</i>
<i>Total Liabilities and Fund Balances</i>	<i>\$9,364,953</i>	<i>\$1,942,249</i>	<i>\$1,835,800</i>	<i>\$455,551</i>	<i>\$13,598,553</i>

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012

**Total Governmental Fund Balances** \$5,528,958

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	855,205
Other capital assets	55,084,375
Accumulated depreciation	<u>(22,884,184)</u>
Total capital assets	33,055,396

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	308,457
Income taxes	186,374
Intergovernmental	78,050
Interest	<u>760</u>
	573,641

Issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 169,166

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (21,988)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(1,420,000)
Refunding bonds payable	(2,115,000)
Accretion on capital appreciation bonds	(521,619)
Refunding certificates of participation	(4,810,000)
Losses on refundings	254,148
Premiums on debt issues	(185,906)
Capital leases	(112,734)
Compensated absences	<u>(1,644,755)</u>
Total liabilities	(10,555,866)

**Net Assets of Governmental Activities** \$28,749,307

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$5,262,331	\$495,550	\$1,139,688	\$100,725	\$6,998,294
Income Tax	2,866,726	0	0	0	2,866,726
Intergovernmental	12,831,562	67,992	156,383	2,268,827	15,324,764
Interest	44,554	0	0	0	44,554
Tuition and Fees	1,715,903	0	0	0	1,715,903
Extracurricular Activities	52,168	0	0	129,643	181,811
Rent	20,060	0	0	0	20,060
Customer Sales and Services	29,212	0	0	391,454	420,666
Contributions and Donations	1,600	0		0	1,600
Revenue in Lieu of Taxes	83,472	0	0	0	83,472
Miscellaneous	262,885	0	227,543	0	490,428
<i>Total Revenues</i>	<i>23,170,473</i>	<i>563,542</i>	<i>1,523,614</i>	<i>2,890,649</i>	<i>28,148,278</i>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	10,203,821	0	2,284	35,492	10,241,597
Special	3,520,890	0	0	356,292	3,877,182
Vocational	390,874	0	0	5,815	396,689
Support Services:					
Pupils	1,785,620	0	0	431,660	2,217,280
Instructional Staff	1,270,538	0	63,027	438,213	1,771,778
Board of Education	37,481	0	0	0	37,481
Administration	1,492,756	0	0	122,563	1,615,319
Fiscal	514,344	20,312	20,404	1,758	556,818
Business	13,740	0	166,157	0	179,897
Operation and Maintenance of Plant	1,267,916	0	592,747	102,497	1,963,160
Pupil Transportation	2,193,981	0	0	0	2,193,981
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,220,616	1,220,616
Other	0	0	0	21,867	21,867
Extracurricular Activities	280,610	0	0	133,237	413,847
Debt Service:					
Principal Retirement	0	280,000	383,749	0	663,749
Interest and Fiscal Charges	0	173,955	223,853	0	397,808
<i>Total Expenditures</i>	<i>22,972,571</i>	<i>474,267</i>	<i>1,452,221</i>	<i>2,870,010</i>	<i>27,769,069</i>
Excess of Revenues Under Expenditures	197,902	89,275	71,393	20,639	379,209
<b><u>Other Financing Sources (Uses):</u></b>					
Transfers In	0	0	0	45,948	45,948
Transfers Out	(45,948)	0	0	0	(45,948)
<i>Total Other Financing Sources (Uses)</i>	<i>(45,948)</i>	<i>0</i>	<i>0</i>	<i>45,948</i>	<i>0</i>
<i>Net Change in Fund Balances</i>	<i>151,954</i>	<i>89,275</i>	<i>71,393</i>	<i>66,587</i>	<i>379,209</i>
<i>Fund Balances at Beginning of Year</i>	<i>2,674,020</i>	<i>1,489,597</i>	<i>939,451</i>	<i>46,681</i>	<i>5,149,749</i>
<i>Fund Balances at End of Year</i>	<i>\$2,825,974</i>	<i>\$1,578,872</i>	<i>\$1,010,844</i>	<i>\$113,268</i>	<i>\$5,528,958</i>

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$379,209

*Amounts reported for governmental activities in the statement of activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(1,818,482)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(398,237)
Income taxes	(5,744)
Intergovernmental	78,050
Interest	<u>(4,544)</u>
	(330,475)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the statement of activities is the result of the following:

Increase in accrued interest	(7,393)
Accretion on capital appreciation bonds	(141,390)
Amortization of issuance costs	(14,241)
Amortization of premiums	16,846
Amortization of losses on refunding	<u>(24,145)</u>
	(170,323)

Repayment of long-term debt and payments to refunded bond escrow agents are reported as an expenditure to governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

Bond payments	280,000
Certificates of participation payments	175,000
Capital lease payments	<u>208,749</u>
Total long-term debt repayment	663,749

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	<u>(133,778)</u>
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**Change in Net Assets of Governmental Activities** (\$1,410,100)

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual (Budget Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2012

	Budget Amounts			Variance With Final Budget Over/Under
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$4,588,128	\$4,766,165	\$4,762,750	(\$3,415)
Income Tax	2,780,864	2,791,435	2,895,643	104,208
Intergovernmental	13,332,477	12,366,383	12,831,562	465,179
Interest	17,600	7,094	40,770	33,676
Tuition and Fees	1,111,000	1,647,587	1,715,903	68,316
Extracurricular Activities	100,000	52,168	52,168	0
Rent	30,000	19,338	20,060	722
Customer Sales and Services	0	28,803	29,212	409
Contributions and Donations	0	96	1,600	1,504
Revenue in Lieu of Taxes	70,000	83,472	83,472	0
Miscellaneous	872,257	516,093	538,482	22,389
<i>Total Revenues</i>	<u>22,902,326</u>	<u>22,278,634</u>	<u>22,971,622</u>	<u>692,988</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	10,582,469	10,353,524	10,354,358	(834)
Special	3,164,341	3,545,117	3,545,115	2
Vocational	489,290	387,304	387,304	0
Support Services:				
Pupils	1,916,442	1,743,125	1,743,125	0
Instructional Staff	1,390,343	1,727,416	1,727,416	0
Board of Education	44,607	39,621	39,621	0
Administration	1,305,085	1,479,412	1,479,857	(445)
Fiscal	534,184	504,753	504,754	(1)
Business	12,000	13,740	13,740	0
Operation and Maintenance of Plant	1,397,312	1,401,301	1,401,301	0
Pupil Transportation	2,850,513	2,737,546	2,737,546	0
Operation of Non-Instructional Services	1,000	0	0	0
Extracurricular Activities	414,345	280,655	280,655	0
Capital Outlay	<u>11,000</u>	<u>1,671</u>	<u>835</u>	<u>836</u>
<i>Total Expenditures</i>	<u>24,112,931</u>	<u>24,215,185</u>	<u>24,215,627</u>	<u>(442)</u>
Excess of Revenues Over (Under) Expenditures	(1,210,605)	(1,936,551)	(1,244,005)	692,546
<b><u>Other Financing Uses:</u></b>				
Transfers Out	<u>(20,000)</u>	<u>(45,948)</u>	<u>(45,948)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,230,605)</u>	<u>(1,982,499)</u>	<u>(1,289,953)</u>	<u>692,546</u>
<i>Fund Balance at Beginning of Year</i>	<u>2,588,351</u>	<u>2,588,351</u>	<u>2,588,351</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>823,289</u>	<u>823,289</u>	<u>823,289</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,181,035</u></u>	<u><u>\$1,429,141</u></u>	<u><u>\$2,121,687</u></u>	<u><u>\$692,546</u></u>

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Private Purpose Trust	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$230,999	<u>\$53,523</u>
<b><u>Liabilities:</u></b>		
Undistributed Monies	<u>0</u>	<u>\$53,523</u>
<b><u>Net Assets:</u></b>		
Held in Trust for Scholarships	<u><u>\$230,999</u></u>	

See accompanying notes to the basic financial statements

**GOSHEN LOCAL SCHOOL DISTRICT**  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Fund  
 For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
<b><u>Additions:</u></b>	
Gifts and Contributions	\$53,505
Interest	<u>489</u>
Total Additions	53,994
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreement	<u>27,104</u>
<i>Change in Net Assets</i>	26,890
<i>Net Assets at Beginning of Year</i>	<u>204,109</u>
<i>Net Assets at End of Year</i>	<u><u>\$230,999</u></u>

See accompanying notes to the basic financial statements

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## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1887. The School District serves an area of approximately 35 square miles. It is located in Clermont County, and includes the Village of Pleasant Plain and Goshen and Harlan Townships.

#### *Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Goshen Local School District, this includes general operations, food service, and student related activities of the School District. The following activities are also included within the reporting entity:

*Parochial School* - Within the School District’s boundaries, Village Christian School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected as a nonmajor special revenue fund and as part of governmental activities for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(Continued)

The School District participates in five organizations, three of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the Great Oaks Institute of Technology and Career Development, the Clermont County Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

The financial statements of the Goshen Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

#### *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 rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### **Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within two categories: governmental and fiduciary.

#### *Governmental Funds:*

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

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

## ***GOSHEN LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

*Bond Retirement Fund* - The Bond Retirement Fund is used to account for and report the accumulation of resources restricted for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

*Permanent Improvement Fund* - The Permanent Improvement Fund is used to account for and report property taxes and intergovernmental monies restricted for constructing or improving permanent improvements.

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

#### *Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and a faculty advisor.

#### **Measurement Focus**

##### *Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

#### *Fund Financial Statements:*

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

The private purpose trust fund is reported using the economic resources measurement focus.

#### **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### *Revenues - Exchange and Non-exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources will be collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within 60 days of fiscal year-end.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes/revenue in lieu of taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

*Deferred Revenue:*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures:*

On an accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

**Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on 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 budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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, including all supplemental appropriations.

**Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Monies for future principal and interest payments on certificates of participation are held in separate bank accounts by U.S. Bank. The balance in these accounts is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents".

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

During fiscal year 2012, the School District's investments consisted of U.S. Treasury Notes, Federal National Mortgage Association Bonds, Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Discount Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Association Notes. Investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$44,554, which includes \$16,674 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are reported on the financial statements as cash equivalents.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required by statute to be set aside by the School District for budget stabilization. See Note 19 for additional information regarding set-asides.

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

***GOSHEN LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	10 - 40 years
Furniture and Equipment	1 - 20 years
Vehicles	3 - 15 years
Books and Educational Media	1 - 5 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable." These amounts are eliminated in the governmental activities columns of the statement of net assets.

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds, certificates of participation, and capital leases that will be paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

**Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds/Accounting Gain/Loss on Refunded Bonds**

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. The liability for capital appreciation bonds is increased each year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable, whereas issuance costs are reported as deferred charges.

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting loss is amortized as interest expense over the remaining useful life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore, does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element prevents one classification from being overstated while another is understated by the same amount.

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees are paid. The remaining portion of the liability is not reported.

#### **Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated from the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **Estimates**

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

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

**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 the governmental funds. The classifications are as follows:

*Nonspendable:*

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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.

*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 fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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.

*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. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

#### *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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

### **NOTE 3 - ACCOUNTABILITY**

At June 30, 2012, the Education Management Information Systems and Title VI-B Special Revenue Funds had deficit fund balances in the amounts of \$51,146 and \$10,149, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### **NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. The change in fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$151,954
Adjustments:	
Revenue Accruals	(199,581)
Expenditure Accruals	(350,246)
Encumbrances	(892,810)
Net Decrease in Fair Value of Investments -	
Fiscal Year 2011	(704)
Net Decrease in Fair Value of Investments -	
Fiscal Year 2012	1,434
Budget Basis	<u><u>(\$1,289,953)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances 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. Investments may only be made through specified dealers and institutions.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)**Investments**

As of June 30, 2012, the School District had the following investments:

	Investment Maturities (in Years)				Moody's Rating	Percent of Total Investments
	Fair Value	Less Than 1	1-2 Years	3-5 Years		
U.S. Treasury Notes	\$525,258	\$525,258	\$0	\$0	N/A	N/A
Federal National Mortgage Association Bonds	149,814	0	0	149,814	Aaa	N/A
Federal Farm Credit Bank Notes	300,081	300,081	0	0	Aaa	7.20%
Federal Home Loan Bank Notes	204,046	0	204,046	0	Aaa	N/A
Federal Home Loan Bank Discount Notes	149,973	149,973	0	0	Aaa	N/A
Federal Home Loan Mortgage Corporation Notes	300,609	300,609	0	0	Aaa	7.21%
Federal Home Loan Mortgage Corporation Discount Notes	424,958	424,958	0	0	Aaa	10.19%
Federal National Mortgage Association Notes	2,114,864	1,552,913	561,951	0	Aaa	50.72%
Total Investments	<u>\$4,169,603</u>	<u>\$3,253,792</u>	<u>\$765,997</u>	<u>\$149,814</u>		

*Interest Rate Risk:*

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless 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 Moody's ratings of the School District's investments are listed in the table above. The School District has no investment policy that addresses credit risk.

*Custodial Credit Risk:*

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. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy dealing with investment custodial risk.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### **NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

#### *Concentration of Credit Risk:*

The School District places no limit on the amount it may invest in any one issuer.

### **NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clermont and Warren Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### **NOTE 6 - PROPERTY TAXES** (Continued)

The amount available as an advance at June 30, 2012, was \$1,710,590 in the General Fund, \$163,030 in the Bond Retirement Fund, \$374,960 in the Permanent Improvement Fund, and \$33,270 in the Other Governmental Funds. The amount available as an advance at June 30, 2011, was \$1,211,009 in the General Fund, \$120,326 in the Bond Retirement Fund, \$276,819 in the Permanent Improvement Fund, and \$22,187 in the Other Governmental Funds.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$249,480,620	95.55%	\$229,689,000	95.12%
Public Utility Personal	11,606,220	4.45%	11,783,150	4.88%
Total Assessed Value	<u>\$261,086,840</u>	<u>100.00%</u>	<u>\$241,472,150</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$28.90		\$28.90

### **NOTE 7 - INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

### **NOTE 8 - RECEIVABLES**

Receivables at June 30, 2012, consisted of property taxes, revenue in lieu of taxes, income taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 8 – RECEIVABLES** (Continued)

Intergovernmental receivables consisted of the following:

	<u>Amounts</u>
Governmental Activities:	
High School that Work	\$588
Title I	63,135
Title I, Neglected	1,840
Improving Teacher Quality, Title II-A	21,333
Title II-D, Technology	4,341
Race to the Top	15,020
Total Intergovernmental Receivables	<u>\$106,257</u>

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Ending Balance 6/30/2011	Additions	Deletions	Ending Balance 6/30/2012
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	<u>\$855,205</u>	<u>\$0</u>	<u>\$0</u>	<u>\$855,205</u>
Capital Assets Being Depreciated:				
Land Improvements	5,046,867	0	0	5,046,867
Buildings and Improvements	47,430,296	0	0	47,430,296
Furniture and Equipment	1,776,037	0	0	1,776,037
Vehicles	58,245	0	0	58,245
Books and Educational Media	772,930	0	0	772,930
Total Capital Assets Being Depreciated	<u>55,084,375</u>	<u>0</u>	<u>0</u>	<u>55,084,375</u>
Less Accumulated Depreciation:				
Land Improvements	(2,137,007)	(262,860)	0	(2,399,867)
Buildings and Improvements	(16,961,434)	(1,472,127)	0	(18,433,561)
Furniture and Equipment	(1,144,876)	(81,246)	0	(1,226,122)
Vehicles	(49,455)	(2,249)	0	(51,704)
Books and Educational Media	(772,930)	0	0	(772,930)
Total Accumulated Depreciation	<u>(21,065,702)</u>	<u>(1,818,482) *</u>	<u>0</u>	<u>(22,884,184)</u>
Total Capital Assets Being Depreciated, Net	<u>34,018,673</u>	<u>(1,818,482)</u>	<u>0</u>	<u>32,200,191</u>
Governmental Activities Capital Assets, Net	<u>\$34,873,878</u>	<u>(\$1,818,482)</u>	<u>\$0</u>	<u>\$33,055,396</u>

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

**NOTE 9 - CAPITAL ASSETS** (Continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$857,000
Special	150,481
Vocational	15,048
Support Services:	
Pupils	195,626
Instructional Staff	62,011
Board of Education	864
Administration	92,090
Fiscal	30,096
Operation and Maintenance of Plant	102,642
Pupil Transportation	1,822
Operation of Non-Instruction Services:	
Food Service Operations	138,361
Other	415
Extracurricular Activities	172,026
Total Depreciation Expense	<u><u>\$1,818,482</u></u>

**NOTE 10 - RISK MANAGEMENT**

**Property and Liability Insurance**

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 2012, the School District contracted with Ohio Casualty for property and fleet insurance, inland marine coverage, general liability insurance and commercial coverage. Insurance coverage provided includes the following:

***GOSHEN LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

**NOTE 10 - RISK MANAGEMENT** (Continued)

Building and Contents - replacement cost (\$1,000 deductible)	\$68,668,712
Automobile Liability (\$250 deductible comprehensive; \$500 deductible collision)	1,000,000
Uninsured Motorists (\$250 deductible comprehensive; \$500 deductible collision)	1,000,000
General Liability:	
Aggregate Limit	3,000,000
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Medical Expense Limit - Per Person/Accident	15,000
Fire Damage Limit - Any One Event	500,000
Products - Completed Operations Limit	2,000,000
Employer's Liability:	
Bodily Injury - Each Accident	1,000,000
Bodily Injury - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	2,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit (\$2,500 deductible)	1,000,000
Errors and Omissions Aggregate Limit	1,000,000
Employment Practices Injury Limit (\$2,500 deductible)	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000
Umbrella/Excess Liability Limit	2,000,000

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

**Workers' Compensation**

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent 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 percent for plan members and 14 percent 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, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$272,962, \$344,146, and \$458,098, respectively. 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

**State Teachers Retirement System of Ohio**

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

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan was \$1,329,135 for the fiscal year ended June 30, 2012, \$1,352,381 for the fiscal year ended June 30, 2011, and \$1,360,612 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83.19 percent has been contributed for the DB Plan and Combined Plan with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Information for contributions to the DC and Combined Plans for fiscal year 2012 is not available.

## ***GOSHEN LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### **NOTE 11 - DEFINED BENEFIT PENSION PLANS** (Continued)

#### **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

#### **School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 1.3 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$46,883 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$58,704, \$105,393, and \$78,747, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

## ***GOSHEN LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### **NOTE 12 - POSTEMPLOYMENT BENEFITS** (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,120, \$22,147, and \$27,242, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

#### **State Teachers Retirement System of Ohio**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$102,241, \$104,029, and \$104,662, respectively. For fiscal year 2012, 83.19 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

### **NOTE 13 - OTHER EMPLOYEE BENEFITS**

#### **Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for employees who work 12 months. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 days.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 13 - OTHER EMPLOYEE BENEFITS** (Continued)

**Employee Benefits**

For fiscal year 2012, the School District participated in the Clermont County Insurance Consortium (the Consortium), a public entity shared risk pool (Note 18), in order to provide dental, medical, and disability benefits to employees, their dependents and designated beneficiaries and to accumulate funds for such purposes. The Consortium provides insurance policies in whole or in part through one or more group insurance policies.

**NOTE 14 - LEASES - LESSEE DISCLOSURE**

**Capital Leases**

In fiscal year 2002, the School District entered into a lease-purchase agreement for playground equipment and the construction of a new track and tennis courts. The School District is leasing the project from Rickenbacker Port Authority. Rickenbacker Port Authority will retain title to the project during the lease term. Rickenbacker Port Authority has assigned PNC Bank as trustee. PNC Bank deposited \$805,200 with a fiscal agent for the project. Amounts were reimbursed to the School District for expenditures made on work completed. The School District made semi-annual lease payments to PNC Bank. This lease was retired with principal payments of \$101,000 during fiscal year 2012.

In prior fiscal years, the School District entered into capitalized leases for the acquisition of computer equipment. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments of \$107,749 were made during fiscal year 2012.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Furniture and Equipment	<u>\$298,027</u>	<u>\$208,619</u>	<u>\$89,408</u>

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 14 - LEASES - LESSEE DISCLOSURE** (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012:

Fiscal Year Ending June 30,	Total Payments
2013	<u>\$119,024</u>
Less: Amount Representing Interest	<u>(6,290)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$112,734</u></u>

**Operating Lease**

During fiscal year 2012, the School District leased computer equipment from Apple, Inc. through an operating lease. Operating leases are reported as function expenditures in governmental funds and on the budgetary statements. There were no payments made on the operating lease during fiscal year 2012 as the lease will be paid in one installment on July 1, 2014, from the Permanent Improvement Fund in the amount of \$119,323.

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due Within One Year
Governmental Activities:					
2000 School Improvement General Obligation Bonds 4.4%-6.25%	\$1,620,000	\$0	\$200,000	\$1,420,000	\$235,000
2006 Refunding Bonds:					
Serial Bonds 4.00%	1,995,000	0	80,000	1,915,000	65,000
Capital Appreciation Bonds 12.24%	200,000	0	0	200,000	0
Premium on Debt Issue	200,352	0	16,696	183,656	0
Deferred Loss on Refunding	(152,376)	0	(12,698)	(139,678)	0
Accretion of Capital Appreciation Bonds	380,229	141,390	0	521,619	0
2007 Refunding Certificates of Participation:					
Certificates of Participation 4.0% - 4.25%	4,985,000	0	175,000	4,810,000	180,000
Premium on Debt Issue	2,400	0	150	2,250	0
Deferred Loss on Refunding	(125,917)	0	(11,447)	(114,470)	0
Compensated Absences	1,510,977	295,571	161,793	1,644,755	79,068
Capital Leases	321,483	0	208,749	112,734	112,734
Total Governmental Activities					
Long-Term Obligations	<u><u>\$10,937,148</u></u>	<u><u>\$436,961</u></u>	<u><u>\$818,243</u></u>	<u><u>\$10,555,866</u></u>	<u><u>\$671,802</u></u>

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 15 - LONG-TERM OBLIGATIONS** (Continued)

On July 17, 2000, the School District issued \$6,891,000 in voted general obligation bonds for the purpose of constructing a new high school. The bonds were originally issued with an interest rate that varies between 4.4 percent and 6.25 percent for a 23 year period with final maturity in fiscal year 2023, and will be repaid from the Bond Retirement Fund. As stated below, part of this bond issue was advance refunded in fiscal year 2007 resulting in a final maturity in fiscal year 2017.

On August 29, 2006, the School District issued \$2,775,000 in voted general obligation bonds for the purpose of advance refunding \$2,775,000 of the Series 2000 School Improvement Bonds. Of these bonds, \$2,575,000 are serial bonds and \$200,000 are capital appreciation bonds. The serial and capital appreciation bonds were issued with an interest rate of 4.0 percent and 12.24 percent, respectively. The maturity amount of the capital appreciation bonds is \$400,000 in fiscal year 2018 and \$400,000 in fiscal year 2019, for a total of \$800,000. The serial bonds were issued for a 17 year period with final maturity in fiscal year 2023. For fiscal year 2012, the capital appreciation bonds were accreted \$141,390. The bonds will be retired from the Bond Retirement Fund.

On July 30, 2007, the School District issued \$5,405,000 in certificates of participation. Of this amount, \$2,785,000 was issued for the purpose of advance refunding \$2,460,000 of the 2002 certificates of participation.

Compensated absences will be paid from the General, Classroom Facilities Maintenance, Education Management Information Systems, and Title VI-B Funds. Capital lease obligations will be paid from the Permanent Improvement Fund.

The School District's overall legal debt margin was \$19,664,013 with an unvoted debt margin of \$241,472 at June 30, 2012.

Principal and interest requirements to retire bonds and certificates of participation outstanding at June 30, 2012, are as follows:

2000 School Improvement Bonds

Fiscal Year				
Ending June 30,		Principal	Interest	Total
2013		\$235,000	\$81,347	\$316,347
2014		255,000	66,094	321,094
2015		275,000	49,531	324,531
2016		315,000	31,094	346,094
2017		340,000	10,625	350,625
		<u>\$1,420,000</u>	<u>\$238,691</u>	<u>\$1,658,691</u>

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 15 - LONG-TERM OBLIGATIONS** (Continued)

**2006 Refunding Bonds**

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2013	\$65,000	\$76,798	\$0	\$0	\$141,798
2014	55,000	74,398	0	0	129,398
2015	55,000	72,198	0	0	127,198
2016	35,000	70,398	0	0	105,398
2017	30,000	69,098	0	0	99,098
2018-2022	1,230,000	269,009	200,000	600,000	2,299,009
2023	445,000	9,171	0	0	454,171
	<b>\$1,915,000</b>	<b>\$641,070</b>	<b>\$200,000</b>	<b>\$600,000</b>	<b>\$3,356,070</b>

**2007 Certificates of Participation**

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$180,000	\$201,775	\$381,775
2014	260,000	192,975	452,975
2015	275,000	182,275	457,275
2016	285,000	171,075	456,075
2017	300,000	159,300	459,300
2018-2022	1,650,000	599,463	2,249,463
2023-2027	1,860,000	216,676	2,076,676
	<b>\$4,810,000</b>	<b>\$1,723,539</b>	<b>\$6,533,539</b>

**NOTE 16 - INTERFUND ACTIVITY**

Transfers made during the fiscal year ended June 30, 2012, were as follows:

Transfer From	Transfer To	
	General	Other Governmental Funds
		<b>\$45,948</b>

Transfers were made from the General Fund to the Other Governmental Funds to support programs and projects accounted for in those funds.

## **GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### **NOTE 16 - INTERFUND ACTIVITY** (Continued)

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

Payable	Receivable
	General
Other Governmental Funds	<u>                  </u>
	<u>\$61,327</u>

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the Other Governmental Funds. All amounts are expected to be repaid in one year.

### **NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

#### **Hamilton Clermont Cooperative Association/Unified Purchasing Association**

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Association was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Association is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for the Unified Purchasing Association can be obtained from Dave Horine, Director, at the administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

#### **Hamilton/Clermont Cooperative Association**

The Goshen Local School District is a participant in a two county Council of Governments that operates the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$74,769 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from Dave Horine, Director, at the administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**Great Oaks Institute of Technology and Career Development**

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, 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 participating school districts' elected boards, which possesses its own budgeting and taxing authority. Great Oaks Institute of Technology and Career Development was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Goshen Local School District. The School District has no ongoing financial interest in, nor responsibility for the Institute. Complete financial statements for Great Oaks Institute of Technology and Career Development can be obtained from the Chief Financial Officer at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**NOTE 18 - INSURANCE PURCHASING POOLS**

**Clermont County Insurance Consortium**

The Clermont County Insurance Consortium, a public entity shared risk pool, currently operates to provide medical and dental coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Eight Clermont County school districts (Batavia, Bethel-Tate, Clermont Northeastern, Felicity-Franklin, Goshen, New Richmond, U.S. Grant, and Williamsburg) along with the Clermont County Educational Service Center have entered into an agreement to form the Clermont County Insurance Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Clermont County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The School District pays premiums based on the consortium estimates of future claims. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Consortium retains stop-loss coverage, with a limit of \$300,000 per claim and a maximum lifetime limit of \$2,000,000. Medical and dental coverage is administered through third party administrators, Anthem and Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with administering the Consortium. To obtain financial information write to the Clermont County Insurance Consortium at 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 18 - INSURANCE PURCHASING POOLS** (Continued)**Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**NOTE 19 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of 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 School District is no longer required to set aside funds for budget stabilization, with the exception of monies received from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

The following cash basis information describes the change in the fiscal year-end set-aside amounts. Disclosure of this information is required by State statute.

	Capital Acquisitions	Budget Stabilization
Set-aside Balance as of June 30, 2011	\$0	\$2,132
Current Fiscal Year Set-aside Requirement	450,425	0
Qualifying Disbursements	0	0
Current Fiscal Year Offsets	<u>(450,425)</u>	0
Totals	<u>\$0</u>	<u>\$2,132</u>
Set-aside Balance as of June 30, 2012	<u><u>\$0</u></u>	<u><u>\$2,132</u></u>

Amounts of offsets for capital acquisitions presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. In previous fiscal years, the School District was required to have a textbook requirement. Effective July 1, 2011, House Bill 30 of the 129<sup>th</sup> General Assembly repealed the textbook requirement.

**GOSHEN LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 20 - FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Governmental Funds	Other	Total
<b><i>Nonspendable</i></b>						
Inventory	\$0	\$0	\$0	\$2,248		\$2,248
<b><i>Restricted for</i></b>						
Debt Payment	0	1,578,872	0	0		1,578,872
Food Service Operations	0	0	0	59,095		59,095
Miscellaneous Grants	0	0	0	24,475		24,475
District Managed Activity	0	0	0	14,916		14,916
Capital Improvements	0	0	1,010,844	73,829		1,084,673
Budget Stabilization	2,132	0	0	0		2,132
<i>Total Restricted</i>	<u>2,132</u>	<u>1,578,872</u>	<u>1,010,844</u>	<u>172,315</u>		<u>2,764,163</u>
<b><i>Committed to</i></b>						
Underground Storage	11,000	0	0	0		11,000
<b><i>Assigned to</i></b>						
Unpaid Obligations	160,237	0	0	0		160,237
<b><i>Unassigned (Deficit)</i></b>	<u>2,652,605</u>	<u>0</u>	<u>0</u>	<u>(61,295)</u>		<u>2,591,310</u>
<b><i>Total Fund Balances</i></b>	<b><u>\$2,825,974</u></b>	<b><u>\$1,578,872</u></b>	<b><u>\$1,010,844</u></b>	<b><u>\$113,268</u></b>		<b><u>\$5,528,958</u></b>

**NOTE 21 - CONTINGENCIES**

**Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

***GOSHEN LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 21 – CONTINGENCIES** (Continued)

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**Litigation**

The School District is not a party to legal proceedings.

**GOSHEN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Non-Cash Assistance:					
National School Lunch Program	10.555		\$ 58,494		\$ 58,494
Cash Assistance:					
National School Breakfast Program	10.553	206,281	-----	206,281	-----
National School Lunch	10.555	547,220	-----	547,220	-----
<b>Total U.S. Department of Agriculture</b>		<b>753,501</b>	<b>58,494</b>	<b>753,501</b>	<b>58,494</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title 1 - FY 11	84.010	38,412	-----	51,723	-----
Title 1 - FY 12		549,154	-----	532,197	-----
Title 1, School Improvement - FY11		-	-----	587	-----
Title 1, School Improvement - FY12		19,831	-----	18,960	-----
<i>Total Title I</i>		607,397	-	603,467	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY11	84.027	-	-----	30,171	-----
IDEA Part B - FY12		550,777	-----	528,077	-----
IDEA Part B - Caseload		16,802	-----	-	-----
ARRA - IDEA Part B, FY11	84.391	-	-----	6,462	-----
<i>Total Special Education Cluster</i>		567,579	-	564,710	-
Improving Teacher Quality - FY11	84.367	907	-----	13,625	-----
Improving Teacher Quality - FY12		69,378	-----	79,273	-----
<i>Total Improving Teacher Quality</i>		70,285		92,898	
ARRA - Race to the Top (RTTT) - FY11	84.395	5,600	-----	11,109	-----
ARRA - Race to the Top (RTTT) - FY12		55,353	-----	50,012	-----
ARRA - Race to the Top (RTTT) - Mini Grant		5,302	-----	5,302	-----
<i>Total Race to the Top</i>		66,255		66,423	
Education Jobs Program - FY12	84.410	18,428	-----	18,428	-----
<b>Total Department of Education</b>		<b>1,329,944</b>	-----	<b>1,345,926</b>	-----
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 2,083,445</b>	<b>\$ 58,494</b>	<b>\$ 2,099,427</b>	<b>\$ 58,494</b>

The accompanying notes to this schedule are an integral part of this schedule.

**GOSHEN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Goshen Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Goshen Local School District  
Clermont County  
6694 Goshen Rd.  
Goshen, Ohio 45122

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goshen Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-01 to be a material weakness.

Goshen Local School District  
Clermont County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

October 1, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Goshen Local School District  
Clermont County  
6694 Goshen Rd.  
Goshen, Ohio 45122

To the Board of Education:

### Compliance

We have audited the compliance of Goshen Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Goshen Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Goshen Local School District  
Clermont County  
Independent Accountants' Report on Compliance With  
Requirements Applicable to Each Major Federal Program  
And On Internal Control Over Compliance in Accordance  
With OMB Circular A-133

Page 2

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

October 1, 2012

**GOSHEN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: 84.027 Special Education—Grants to States (IDEA, Part B) 84.391 Special Education – Grants to States (Idea, Part B) Recovery Act
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>Yes</b>

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2012-01**

**Material Weakness**

The management of the School District is responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations, and contracts. Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In January 2012 the District received a wire transfer for \$259,752, into the District's general checking account. The payment was the amount remaining (after all obligations have been paid) in the 2002 Certificate of Participation (COPs) Debt Payment Fund, which was held by the debt trustee. At the time the wire transfer was received, the District, in error, reduced the bank value of the 2007 COPs Reserve Trust Account on the face of the bank reconciliation and increased the general checking balance in the amount of \$259,752, but no entry was made to the District's accounting system to record the receipt. Since the wire transfer was from the trust payment account from the 2002 debt issue, the 2007 COPs reserve trust balance did not actually go down. This caused the District's fund balance to be understated by \$259,752. Of the \$259,752, we determined that \$227,543 originated from check 40894 that was paid from the Permanent Improvement fund and the remaining \$32,209 was attributable to interest. The amount paid from the Permanent Improvement fund should have been posted to the Permanent Improvement as a refund of prior year expenditures and the interest should have been posted to the General fund. Audit adjustments have been posted to the financial statements and to the District's accounting system. The net effect of this adjustment is noted below:

Fund	Net Fund Balance Adjustment
Permanent Improvement Fund	\$227,543
General Fund	\$32,209

Failure to properly post transactions could result in inaccurate financial statements, reduce the accountability over District funds, and reduces the Board's ability to monitor financial activity and make informed financial decisions.

We recommend the District implement controls to ensure that all transactions are properly posted. This will allow the District to report accurate balances and classifications.

**Official Response:**

The Goshen Board of Education, the entire administrative team, Treasurer's office, and support staff take great pride in maintaining accurate financial statements for the citizens in the Goshen Local School District. We have never had a comment in the financial audit report of the District in the past. Therefore, we would like to take this opportunity clarify to the readers the issue that caused your office to place a comment in the report.

**FINDING NUMBER 2012-01**  
**(Continued)**

The District refinanced a 2002 COPS issue in July of 2007. Prior to the refinance, the District was billed with the July 1, 2007 invoice. After confirmation from US Bank, the payment was still due and the District made the payment. The expenditure posted to the District books was supposed to have completed the District's accounting of the 2002 payment account. However, the money was maintained in the 2002 payment account at US Bank. At the time of closing, the money did not get released back to the District or placed into the 2007 escrow account. Therefore, this balance was in the bank and not posted on the books of the District due to the payment.

The comment stating the District needs to implement controls to ensure all transactions are properly recorded in the report for FY 2012 is very misleading to readers. The District has controls in place to maintain accurate statements. The District in fact received the Auditor of State of Ohio Award for excellence in reporting for the FY 2011 audit. The District again did not have any comments for a management letter for the FY 2012 audit. I truly feel that one receipt out of the thousands that are posted annually should not generate a comment to implement controls. Your office takes measures to carefully audit records and accounts, and does an outstanding job. However, since the balance has not been on the financial statements since FY 2008, a material weakness in this report is unfortunate for both the District and the Auditor of State of Ohio's office.

***Auditor of State's Conclusion***

While we understand that this finding is the result of misposting only one transaction in the 2012 fiscal year related to funds not distributed by the bank to the District in 2007, auditing standards (specifically Statements on Auditing Standards number 115) require us to report actual errors based on dollar amount, not the frequency of occurrence. Because this error was not detected by District management and resulted in a material adjustment to the Permanent Improvement Fund opinion unit, Statement 115 requires us to report it.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

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# Dave Yost • Auditor of State

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

Goshen Local School District  
Clermont County  
6694 Goshen Rd.  
Goshen, Ohio 45122

To the Board of Education:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether [insert name of school district] (the District [replace with School for community schools]) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 12, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 1, 2012

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# Dave Yost • Auditor of State

GOSHEN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

#### CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 8, 2012