



**Auditor of State
Betty Montgomery**

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Goshen Local School District
Clermont County
6785 Goshen Road
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 fiscal year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*. The District also adopted Governmental Accounting Standards Board Statements 37, 38, 41 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 15, 2004

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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 year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the financial statements to enhance their understanding of the School District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board had elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ‡ The assets of the Goshen Local School District exceeded its liabilities at June 30, 2003 by \$43,380,455. Of this amount, \$3,967,6261 may be used to meet the School District's ongoing financial obligations. The remaining amount represents capital assets net of related debt and net asset amounts restricted for specific purposes.
- ‡ The School District's net assets decreased by \$1,379,930 during this year's operations.
- ‡ General revenues accounted for \$16,551,525 or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$3,532,966 or 18 percent of total revenues of \$20,057,563.
- ‡ The School District had \$21,464,421 in expenses related to governmental activities; only \$3,532,966 of these expenses were offset by program specific charges for services, grants or 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.

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The *Statement of Net Assets* and *Statement of Activities* provides 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 major funds presented in total in one column. The major funds for the Goshen Local School District are the general fund and the debt service fund.

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 2003?" The *Statement of Net Assets* and the *Statements of Activities*, which appear 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 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 9. 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.

Goshen Local School District
Management's Discussion and Analysis
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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 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.

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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 provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 2003 and 2002:

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 1)

Net Assets

Governmental Activities

	2003	2002
Assets		
Current and Other Assets	\$16,073,275	\$29,495,942
Capital Assets	45,432,912	36,189,424
Total Assets	61,506,187	65,685,366
Liabilities		
Long-Term Liabilities	11,753,858	12,451,045
Other Liabilities	6,371,874	8,473,936
Total Liabilities	18,125,732	20,924,981
Net Assets		
Invested in Capital Assets, Net of Related Debt	36,123,100	28,542,350
Restricted	3,289,729	11,108,950
Unrestricted	3,967,626	5,109,085
Total Net Assets	\$43,380,455	\$44,760,385

Net assets decreased by \$1,379,930. This was primarily due to a \$1,276,405 decrease in capital assets as a result of depreciation expense for the year. Capital assets are used to provide services to students and do not represent assets that may be used for future spending. Restricted net assets and unrestricted net assets decreased mainly due to expenditures exceeding revenues for the year, thereby reducing available cash. Property taxes receivable also decreased \$509,989.

Table 2 shows the highlights the District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services, restricted grants and interest and charges for services. General Revenues include taxes, unrestricted grants, such as state foundation support and rent.

Since this is the first year the School District has prepared financial statements following GASB 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

Goshen Local School District
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(Table 2)
Change in Net Assets

	Governmental Activities <u>2003</u>
Revenues	
Program Revenues:	
Charges for Services	\$925,898
Operating Grants, Contributions and Interest	2,580,140
Capital Grants and Contributions	26,928
Total Program Revenues	<u>3,532,966</u>
General Revenues:	
Property Taxes	4,051,036
Income Taxes	1,993,375
Grants and Entitlements not Restricted to Specific Programs	9,797,096
Investment Earnings	306,969
Miscellaneous	403,049
Total General Revenues	<u>16,551,525</u>
 Total Revenues	 <u>\$20,084,491</u>

(continued)

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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(Table 2)
Change in Net Assets
(continued)

	Governmental Activities <u>2003</u>
Program Expenses	
Instruction	
Regular	\$8,945,723
Special	1,677,143
Vocational	156,488
Support Services	
Pupils	1,363,860
Instructional Staff	1,348,704
Board of Education	48,473
Administration	2,182,579
Fiscal	570,157
Business	22,481
Operation and Maintenance of Plant	1,424,479
Pupil Transportation	1,819,060
Central	44,467
Operation of Non-Instructional Services	
Food Services	769,509
Other	72,490
Extracurricular Activities	453,965
Interest and Fiscal Charges	564,843
Total Expenses	<u>21,464,421</u>
Decrease in Net Assets	<u><u>(\$1,379,930)</u></u>

Goshen Local School District
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Governmental Activities

Grants and Entitlements made up 48 percent of revenues for governmental activities of the Goshen Local School District for fiscal year 2003.

Instruction comprises 50 percent of governmental program expenses. Support services expenses make up 41 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants 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 cost that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)

Governmental Activities		
	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$10,779,354	\$9,124,998
Support Services	8,824,260	7,862,846
Operation of Non-		
Instructional Services	841,999	60,918
Extracurricular Activities	453,965	317,850
Interest and Fiscal Charges	564,843	564,843
Total Expenses	\$21,464,421	\$17,931,455

The School District's Funds

Information about the School District's major funds start on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$23,327,629 and expenditures and other financing uses of \$31,795,198. The net change in fund balance for the year was most significant in the general fund, a decrease of \$1,303,024. This decrease was caused primarily by the cost to operate the new buildings in the District. Another significant cost item was the employee benefits. This occurred due to the large cost increase in health insurance for the District.

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

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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course of fiscal 2003 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$178,319 above the final budgeted amount in the General Fund.

For the general fund, budget basis revenue was \$17,149,527 with original budget estimates of \$17,332,463.

Capital Assets and Debt Administration

Capital Assets

The Goshen Local School District's investment in capital assets as of June 30, 2003 was \$45,432,912. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002:

(Table 4)
 Capital Assets at June 30
 (Net of Depreciation)
 Governmental Activities

	2003	2002
Land	\$855,205	\$316,918
Construction in Progress	0	32,207,493
Land Improvements	1,908,862	40,550
Buildings and Improvements	39,901,582	1,250,699
Furniture and Equipment	2,260,944	2,149,451
Vehicles	16,134	23,548
Books and Educational Media	490,185	200,765
Totals	\$45,432,912	\$36,189,424

Net capital assets increased \$9,243,488 from the prior year. This is mainly due to the completion of the building projects and the purchase of land.

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

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt

At June 30, 2003 the School District had \$6,470,000 in bonds and notes outstanding, \$305,000 due within one year. Table 5 summarizes bonds and notes outstanding:

(Table 5)
 Outstanding Debt, at Year End
 Governmental Activities

	2003	2002
General Obligation Notes		
2002 Energy Conservation Notes 2.05%	\$120,000	\$180,000
General Obligation Bonds:		
2000 School Improvement Bonds 5.60%	6,350,000	6,560,000
Totals	\$6,470,000	\$6,740,000

On April 12, 2002, the School District issued \$180,000 in unvoted general obligation debt for the purpose of providing energy conservation measures for the School District, under authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a three year period with final maturity during fiscal year 2005. The debt will be will be retired from the anticipated savings over the three years.

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 issued with an interest rate that varies between 4.4% and 6.25% for a 23 year period with final maturity in fiscal year 2023 and will be repaid from the debt service fund

The School District's overall legal debt margin was \$11,299,736, the energy conservation note debt margin was \$1,584,552, and the unvoted debt margin of \$189,395 at June 30, 2003.

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

District Challenges for the Future

The management of this District, like the management of many Districts in Ohio, has forecasted an operational deficit. The District management anticipates that they will have to either trim expenditures, which is difficult for a District that wants to maintain academic standards and not exceed maximum class size ratio's, or propose a levy to raise revenue, which is also difficult to do in today's economy. It is the opinion of the District's management that maintaining a balanced budget is very difficult in today's economy.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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, 6785 Goshen Road, Goshen, Ohio 45122.

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,596,134
Cash and Cash Equivalents with Escrow Agents	406,734
Materials and Supplies Inventory	5,242
Accrued Interest Receivable	31,840
Accounts Receivable	21,376
Intergovernmental Receivable	195,163
Prepaid Items	22,772
Property Taxes Receivable	4,330,070
Income Tax Receivable	885,315
Investments with Fiscal Agents	1,578,629
Capital Assets:	
Land	855,205
Depreciable Capital Assets, Net	<u>44,577,707</u>
<i>Total Assets</i>	<u>61,506,187</u>
Liabilities	
Current Liabilities:	
Accounts Payable	260,944
Accrued Wages and Benefits	1,335,905
Contracts Payable	329,081
Intergovernmental Payable	599,344
Accrued Interest Payable	32,157
Matured Compensated Absences Payable	60,157
Retainage Payable	134,929
Deferred Revenue	3,619,357
Long-Term Liabilities:	
Due Within One Year	666,280
Due in More Than One Year	<u>11,087,578</u>
<i>Total Liabilities</i>	<u>18,125,732</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	36,123,100
Restricted for Debt Service	863,685
Restricted for Capital Outlay	1,685,209
Restricted for Other Purposes	689,046
Restricted for Set Asides	51,789
Unrestricted	<u>3,967,626</u>
<i>Total Net Assets</i>	<u>\$43,380,455</u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
				Total Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$8,945,723	\$248,951	\$141,054	\$0	(\$8,555,718)
Special	1,677,143	0	1,230,531	0	(446,612)
Vocational	156,488	0	33,820	0	(122,668)
Support Services:					
Pupil	1,363,860	104,703	92,381	0	(1,166,776)
Instructional Staff	1,348,704	3,323	95,842	0	(1,249,539)
Board of Education	48,473	0	0	0	(48,473)
Administration	2,182,579	6,933	30,977	0	(2,144,669)
Fiscal	570,157	0	0	0	(570,157)
Business	22,481	0	0	0	(22,481)
Operation and Maintenance of Plant	1,424,479	1,130	0	0	(1,423,349)
Pupil Transportation	1,819,060	0	599,197	0	(1,219,863)
Central	44,467	0	0	26,928	(17,539)
Operation of Non-Instructional Services:					
Food Service Operations	769,509	424,743	274,455	0	(70,311)
Other	72,490	0	81,883	0	9,393
Extracurricular Activities	453,965	136,115	0	0	(317,850)
Interest and Fiscal Charges	564,843	0	0	0	(564,843)
<i>Total Governmental Activities</i>	\$21,464,421	\$925,898	\$2,580,140	\$26,928	(17,931,455)
General Revenues					
Property Taxes Levied for:					
					3,400,944
					597,650
					52,442
					1,993,375
Grants and Entitlements not					
					9,797,096
					306,969
					403,049
<i>Total General Revenues</i>					16,551,525
					(1,379,930)
					44,760,385
<i>Net Assets Beginning of Year (Restated Note 3)</i>					44,760,385
<i>Net Assets End of Year</i>					\$43,380,455

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2003

	General	Permanent Improvement	Construction Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$5,500,563	\$27,989	\$1,711,322	\$1,304,471	\$8,544,345
Investments with Fiscal Agent	0	1,578,629	0	0	1,578,629
Receivables:					
Taxes	3,635,434	0	0	694,636	4,330,070
Income Tax	885,315	0	0	0	885,315
Accounts	21,376	0	0	0	21,376
Intergovernmental	57,521	0	0	137,642	195,163
Accrued Interest	29,763	2,077	0	0	31,840
Prepaid Items	22,772	0	0	0	22,772
Materials and Supplies Inventory	0	0	0	5,242	5,242
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	51,789	0	0	0	51,789
Cash and Cash Equivalents with Escrow Agents	0	0	406,734	0	406,734
<i>Total Assets</i>	<u>\$10,204,533</u>	<u>\$1,608,695</u>	<u>\$2,118,056</u>	<u>\$2,141,991</u>	<u>\$16,073,275</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable	\$243,442	\$0	\$0	\$17,502	\$260,944
Accrued Wages and Benefits Payable	1,239,423	0	0	96,482	1,335,905
Contracts Payable	0	0	329,081	0	329,081
Intergovernmental Payable	418,735	0	0	19,598	438,333
Matured Compensated Absences Payable	60,157	0	0	0	60,157
Retainage Payable	0	0	134,929	0	134,929
Deferred Revenue	3,350,302	0	0	708,913	4,059,215
<i>Total Liabilities</i>	<u>5,312,059</u>	<u>0</u>	<u>464,010</u>	<u>842,495</u>	<u>6,618,564</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	446,773	79,063	362,494	65,726	954,056
Reserved for Property Taxes	430,600	0	0	84,700	515,300
Reserved for Textbooks and Instructional Materials	49,657	0	0	0	49,657
Reserved for Budget Stabilization	2,132	0	0	0	2,132
Unreserved, Undesignated, Reported in:					
General Fund	3,963,312	0	0	0	3,963,312
Special Revenue Funds	0	0	0	607,425	607,425
Debt Service Fund	0	0	0	541,645	541,645
Capital Projects Funds	0	1,529,632	1,291,552	0	2,821,184
<i>Total Fund Balances</i>	<u>4,892,474</u>	<u>1,608,695</u>	<u>1,654,046</u>	<u>1,299,496</u>	<u>9,454,711</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,204,533</u>	<u>\$1,608,695</u>	<u>\$2,118,056</u>	<u>\$2,141,991</u>	<u>\$16,073,275</u>

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, 2003

Total Governmental Fund Balances		\$9,454,711
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	855,205	
Other capital assets	52,091,890	
Accumulated depreciation	(7,514,183)	
Total capital assets		45,432,912
 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	195,413	
Intergovernmental	226,637	
Interest	17,808	
		439,858
 Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		
		(161,011)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and notes payable	(6,470,000)	
Accrued interest on bonds	(32,157)	
Capital leases	(4,166,780)	
Compensated absences	(1,117,078)	
Total liabilities		(11,786,015)
 Net Assets of Governmental Activities		 \$43,380,455

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, 2003

	General	Permanent Improvement	Construction	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,399,468	\$0	\$0	\$650,729	\$4,050,197
Municipal Income Tax	1,962,167	0	0	0	1,962,167
Intergovernmental	11,084,693	0	2,980,085	1,231,991	15,296,769
Interest	141,753	45,749	98,191	4,032	289,725
Tuition and Fees	151,472	0	0	93,781	245,253
Extracurricular Activities	0	0	0	237,598	237,598
Rentals	1,100	0	0	0	1,100
Customer Sales and Service	0	0	0	424,743	424,743
Contributions and Donations	0	0	0	318	318
Miscellaneous	403,048	0	0	16,888	419,936
Total Revenues	17,143,701	45,749	3,078,276	2,660,080	22,927,806
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	8,145,107	0	0	221,486	8,366,593
Special	1,167,822	0	0	439,642	1,607,464
Vocational	143,794	0	0	6,648	150,442
Support Services:					
Pupils	1,063,059	0	0	196,282	1,259,341
Instructional Staff	1,110,103	0	0	114,670	1,224,773
Board of Education	42,416	0	0	0	42,416
Administration	2,131,876	0	0	38,090	2,169,966
Fiscal	534,162	0	0	13,132	547,294
Business	22,481	0	0	0	22,481
Operation and Maintenance of Plant	1,356,582	0	0	16,475	1,373,057
Pupil Transportation	1,804,712	0	0	0	1,804,712
Central	1,179	0	0	40,928	42,107
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	708,235	708,235
Other	450	0	0	72,040	72,490
Extracurricular Activities	254,972	0	0	148,128	403,100
Capital Outlay	64,697	1,670,808	8,784,388	0	10,519,893
Debt Service:					
Principal Retirement	309,039	0	0	278,000	587,039
Interest and Fiscal Charges	186,632	0	0	372,037	558,669
Total Expenditures	18,339,083	1,670,808	8,784,388	2,665,793	31,460,072
Excess of Revenues Over (Under) Expenditures	(1,195,382)	(1,625,059)	(5,706,112)	(5,713)	(8,532,266)
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	64,697	0	0	0	64,697
Transfers In	0	0	162,787	172,339	335,126
Transfers Out	(172,339)	(162,787)	0	0	(335,126)
Total Other Financing Sources (Uses)	(107,642)	(162,787)	162,787	172,339	64,697
Net Change in Fund Balances	(1,303,024)	(1,787,846)	(5,543,325)	166,626	(8,467,569)
Fund Balances Beginning of Year	6,195,498	3,396,541	7,197,371	1,132,870	17,922,280
Fund Balances End of Year	\$4,892,474	\$1,608,695	\$1,654,046	\$1,299,496	\$9,454,711

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, 2003

Net Change in Fund Balances - Total Governmental Funds (\$8,467,569)

*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:

Capital asset additions	42,727,386	
Construction in progress deletions	(32,207,493)	
Depreciation expense	(1,276,405)	
Excess of capital outlay over depreciation expense	<u>9,243,488</u>	9,243,488

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	839	
Income taxes	31,208	
Intergovernmental	(2,893,170)	
Interest	17,808	
	<u>(2,843,315)</u>	(2,843,315)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (64,697)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and note payments	270,000	
Capital lease payments	317,039	
Total long-term debt repayment	<u>587,039</u>	587,039

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:

Decrease in compensated absences payable	174,845	
Increase in accrued interest payable	(6,174)	
Increase in intergovernmental payable	(3,547)	
Total (increase)/decrease	<u>165,124</u>	165,124

Change in Net Assets of Governmental Activities (\$1,379,930)

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2003

	<u>Budget Amounts</u>			Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property and Other Local Taxes	\$3,381,094	\$3,347,116	\$3,347,116	\$0
Income Tax	2,134,853	2,013,375	2,013,375	0
Intergovernmental	11,033,016	11,109,155	11,115,131	5,976
Interest	350,000	197,727	210,039	12,312
Tuition and Fees	75,000	91,480	94,360	2,880
Rent	2,000	1,100	1,100	0
Miscellaneous	356,500	259,305	368,406	109,101
<i>Total Revenues</i>	<u>17,332,463</u>	<u>17,019,258</u>	<u>17,149,527</u>	<u>130,269</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,772,323	8,374,621	8,369,072	5,549
Special	1,001,666	1,126,242	1,126,242	0
Vocational	109,300	137,978	137,978	0
Other	0	0	5,549	(5,549)
Support Services:				
Pupils	945,444	1,088,277	1,088,277	0
Instructional Staff	854,376	1,140,581	1,140,582	(1)
Board of Education	35,085	44,931	44,931	0
Administration	2,686,371	2,205,833	2,163,508	42,325
Fiscal	454,203	541,625	541,611	14
Business	27,425	22,762	22,762	0
Operation and Maintenance of Plant	1,902,638	1,514,724	1,509,012	5,712
Pupil Transportation	1,990,000	1,787,407	1,787,407	0
Central	0	1,179	1,179	0
Operation of Non-Instructional Services				
	0	450	450	0
Extracurricular Activities:				
Academic Orientd Activities	14,000	20,778	20,778	0
Sports Oriented Activities	137,900	229,173	229,173	0
School and Public Co-curricular Activities	4,000	4,407	4,407	0
Debt Service:				
Principal Retirement	381,000	175,000	175,000	0
Interest and Fiscal Charges	172,745	152,488	152,488	0
<i>Total Expenditures</i>	<u>19,488,476</u>	<u>18,568,456</u>	<u>18,520,406</u>	<u>48,050</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,156,013)</u>	<u>(1,549,198)</u>	<u>(1,370,879)</u>	<u>178,319</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	500	14,227	14,227	0
Operating Transfers In	300,000	0	0	0
Operating Transfers Out	(950,000)	(172,339)	(172,339)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(649,500)</u>	<u>(158,112)</u>	<u>(158,112)</u>	<u>0</u>
Net Change in Fund Balance	(2,805,513)	(1,707,310)	(1,528,991)	178,319
Fund Balances at Beginning of Year	4,915,266	4,915,266	4,915,266	0
Prior Year Encumbrances Appropriated	1,496,400	1,496,400	1,496,400	0
Fund Balances at End of Year	<u>\$3,606,153</u>	<u>\$4,704,356</u>	<u>\$4,882,675</u>	<u>\$178,319</u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$12,411</u>	<u>\$48,158</u>
Liabilities		
Undistributed Monies	<u>\$0</u>	<u>\$48,158</u>
Net Assets		
Held in Trust for Scholarships	<u>\$12,411</u>	<u>\$0</u>
<i>Total Net Assets</i>	<u>\$12,411</u>	<u>\$0</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, 2003

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$5,900
Deductions	
Payments in Accordance with Trust Agreements	2,625
<i>Change in Net Assets</i>	3,275
<i>Net Assets Beginning of Year</i>	9,136
<i>Net Assets End of Year</i>	\$12,411

See accompanying notes to the basic financial statement:

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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/or federal guidelines.

The School District was established in 1887 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 35 square miles. It is located in Clermont County, and includes Goshen Township.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 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. The activity of these State monies by the School District is reflected in a special revenue fund 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.

The School District participates in six organizations, three of which are defined as jointly governed organizations and three are group insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association (H/CCA), the Great Oaks Joint Vocational School, the Clermont County Insurance Consortium, the Ohio School Plan, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, respectively. These organizations are presented in Notes 18 and 19 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.

A. 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 statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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 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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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 are financed. Governmental funds focus 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 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.

Permanent Improvement Fund – The permanent improvement fund is to account for all transactions relating to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Construction Fund – The construction fund is used to account for all intergovernmental monies, debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 faculty advisor.

C. 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 (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from 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 is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, customer sales, student fees, 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, 2003, but which were levied to finance fiscal year 2004 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

E. 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. Cash received through the lease-purchase agreements is held in separate bank accounts by National City Bank and U.S. Bank. The balance in these accounts is presented on the financial statements as "Investments With Fiscal Agents" and represents investments.

During fiscal year 2003, the School District's investments consisted of Milestone Treasury Money Market Mutual Fund, an investment with Bayerische Hypothek und Vereinsbank, Armada Government Money Market Mutual Fund, Federated Automated Government Money Market Mutual Fund, First American Treasury Money Market Mutual Fund, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and the State Treasury Asset Reserve of Ohio (STAROhio). Other than STAROhio, investments are reported at fair value which is based on current share prices for mutual funds and quoted market prices for other investments. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$141,753 which includes \$75,527 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 as cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used.

Inventory consists of expendable supplies held for consumption and purchased foods held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund are amounts required by statute to be set aside by the School District to create reserves for textbooks and instructional materials and budget stabilization. See Note 20 for additional information regarding set-asides.

I. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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 for 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:

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. 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 funds. However, compensated absences and contractually required pension contributions 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 year. The long-term notes, general obligation bonds and capital leases are recognized as a liability on the government-wide financial statements when due.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 based on the School District's past experience of making termination payments.

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 have accumulated leave are paid. The noncurrent portion of the liability is not reported.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance Reserves

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

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

N. 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 the 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 activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

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

O. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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, 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 control has been established by the Board of Education at the fund level. 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 year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38. Also, GASB Statement No. 41 was not applicable to the School District for fiscal year 2003.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES (Continued)

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability for compensated absences that were not mature as of June 30, 2002.

B. Restatement of Fund Balances

Notes payables and accrued interest payable were incorrectly reported in the General Fund at June 30, 2002. These amounts have been restated as part of the government-wide liabilities and not a fund liability.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES (Continued)

The restatements for GASB *Statement No. 34*, and *GASB Interpretation No. 6* had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Permanent Improvement	Construction	Nonmajor	Total
Fund Balances, June 30, 2002	\$5,978,948	\$3,396,541	\$7,197,371	\$1,207,816	\$17,780,676
Interpretation No. 6 Adjustments	17,028				17,028
Restatement of Note Payable	180,000			(18,412)	161,588
Restatement of Accrued Interest Payable	19,522			0	19,522
Fund Reclassifications				(56,534)	(56,534)
Adjusted Fund Balance, June 30, 2002	<u>\$6,195,498</u>	<u>\$3,396,541</u>	<u>\$7,197,371</u>	<u>\$1,132,870</u>	<u>17,922,280</u>
GASB No. 34 Adjustments:					
Deferred Assets:					
Intergovernmental Receivables					3,088,599
Delinquent Property Taxes					194,574
Capital Assets					36,189,424
Intergovernmental Payable					(157,464)
Accrued Interest Payable					(25,983)
Long-Term Liabilities:					
Notes Payable					(180,000)
Bonds Payable					(6,560,000)
Capital Leases Payable					(4,419,122)
Compensated Absences					(1,291,923)
Governmental Activities Net Assets, June 30, 2002					<u>\$44,760,385</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Special Revenue Funds:</i>	
Emergency Management Information Systems	(\$78)
Title VI-R	(6,748)

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

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.

B. Compliance

The following funds had expenditures in excess of appropriations for fiscal year ended June 30, 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Emergency Management Information Systems	\$18,251	\$24,489	(\$6,238)
Disadvantage Pupil Impact Aid	30,323	33,345	(3,022)
CIP Grant	7,363	9,573	(2,210)

The following funds had appropriations in excess of estimated resources plus available balances for fiscal year ended June 30, 2003:

<u>Fund</u>	<u>Estimated Resources and Balance</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Title VI-B	\$341,577	\$355,833	(\$14,256)
Title VI-R	84,322	84,517	(195)

NOTE 5 - 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 Balances - 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 a reservation of fund balance.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

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	(\$1,303,024)
Adjustments:	
Revenue Accruals	(87,383)
Net Increase in Fair Value of Investments - Fiscal Year 2003	(16,933)
Net Increase in Fair Value of Investments - Fiscal Year 2002	59,640
Expenditure Accruals	471,371
Encumbrances	(652,694)
Unrecorded Cash	32
Budget Basis	(\$1,528,991)

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 accounts, including passbook accounts.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$15,301 and the bank balance was \$438,557. Of the bank balance, \$100,000 was covered by the federal depository insurance and \$338,557 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Investment in STAROhio, an investment pool operated by the Ohio State Treasurer, and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Category 2</u>	<u>Unclassified</u>	<u>Carrying/ Fair Value</u>
STAROhio	\$0	\$100,593	\$100,593
Milestone Treasury Money Market Mutual Fund	0	577,660	577,660
Investment with Bayerische Hypd Und Verninsbank	0	68,633	68,633
Armada Government Money Market Mutual Fund	0	1,476	1,476
Federated Automated Government Money Market Mutual Fund	0	406,734	406,734
First American Treasury Money Market Mutual Fund	0	276,874	276,874
Federal Home Loan Bank Notes	3,231,903	0	3,231,903
Federal National Mortgage Association Notes	5,358,579	0	5,358,579
Federal Home Loan Mortgage Corporation Notes	604,313	0	604,313
Totals	<u>\$9,194,795</u>	<u>\$1,431,970</u>	<u>\$10,626,765</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
<i>GASB Statement No. 9</i>	\$9,063,437	\$1,578,629
Investments:		
STAROhio	(100,593)	100,593
Milestone Treasury Money Market Mutual Fund	(577,660)	577,660
Federated Automated Government Money Market Mutual Fund	(406,734)	406,734
First American Treasury Money Market Mutual Fund	(18,946)	18,946
Federal Home Loan Bank Notes	(2,906,968)	2,906,968
Federal National Mortgage Association Notes	(4,432,922)	4,432,922
Federal Home Loan Mortgage Corporation Notes	(604,313)	604,313
<i>GASB Statement No. 3</i>	<u>\$15,301</u>	<u>\$10,626,765</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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 County by June 30, 2003, are available to finance fiscal year 2003 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2003, 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, 2003

NOTE 7 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2003, was \$430,600 in the general fund, \$9,500 in the classroom facilities special revenue fund, and \$75,200 in the bond retirement debt service fund. The amount available as an advance at June 30, 2002, was \$354,778 in the general fund, \$8,689 in the classroom facilities special revenue fund, and \$60,925 in the bond retirement debt service fund.

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 is deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>2002 Second- Half Collections</u>		<u>2003 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$145,231,540	88.95%	\$171,739,670	90.68%
Public Utility	10,443,880	6.40%	10,705,010	5.65%
Tangible Personal Property	7,603,940	4.65%	6,949,990	3.67%
Total Assessed Value	<u>\$163,279,360</u>	<u>100.00%</u>	<u>\$189,394,670</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.30		\$30.40	

NOTE 8 - 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. Income tax revenue credited to the general fund for fiscal year 2003 was \$1,962,167.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - RECEIVABLES

Receivables at June 30, 2003, consisted of both property and income taxes, accounts (billings for user charged services and student fees), intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Tuition and Fees Revenue	\$57,112
Miscellaneous Revenue	409
Title IV Drug Free 2002	4,608
Title VI-B	67,559
Chapter II	5,355
Title IV Drug Free	1,249
Title VI-R Class Size Reduction	58,871
Total Intergovernmental Receivables	<u><u>\$195,163</u></u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Ending Balance 6/30/2002	Additions	Deletions	Ending Balance 6/30/2003
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$316,918	\$538,287	\$0	\$855,205
Construction in Progress	32,207,493	0	32,207,493	0
Total Capital Assets, Not Being Depreciated	<u>32,524,411</u>	<u>538,287</u>	<u>32,207,493</u>	<u>855,205</u>
Capital Assets Being Depreciated				
Land Improvements	560,343	1,923,199	0	2,483,542
Buildings and Improvements	5,711,922	39,401,211	0	45,113,133
Furniture and Equipment	3,204,320	478,620	0	3,682,940
Vehicles	149,777	0	0	149,777
Books and Educational Media	276,429	386,069	0	662,498
Total Capital Assets, Being Depreciated	<u>9,902,791</u>	<u>42,189,099</u>	<u>0</u>	<u>52,091,890</u>
Less Accumulated Depreciation:				
Land Improvements	(519,793)	(54,887)	0	(574,680)
Buildings and Improvements	(4,461,223)	(750,328)	0	(5,211,551)
Furniture and Equipment	(1,054,869)	(367,127)	0	(1,421,996)
Vehicles	(126,229)	(7,414)	0	(133,643)
Books and Educational Media	(75,664)	(96,649)	0	(172,313)
Total Accumulated Depreciation	<u>(6,237,778)</u>	<u>(1,276,405) *</u>	<u>0</u>	<u>(7,514,183)</u>
Total Capital Assets Being Depreciated, Net	<u>3,665,013</u>	<u>40,912,694</u>	<u>0</u>	<u>44,577,707</u>
Governmental Activities Capital Assets, Net	<u>\$36,189,424</u>	<u>\$41,450,981</u>	<u>\$32,207,493</u>	<u>\$45,432,912</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 – CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$658,251
Special	97,190
Vocational	8,787
Support Services:	
Pupil	108,185
Instructional Staff	128,308
Board of Education	6,057
Administration	43,913
Fiscal	15,904
Operation and Maintenance of Plant	52,912
Pupil Transportation	9,236
Central	2,360
Operation of Non-Instruction Services:	
Food Services	94,437
Extracurricular Activities	50,865
Total Depreciation Expense	<u><u>\$1,276,405</u></u>

NOTE 11 - RISK MANAGEMENT

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 2003, the School District contracted with Nationwide Insurance for property and fleet insurance, inland marine coverage, and for general liability insurance. Coverage is as follows:

General Liability	\$2,000,000
Building and Contents-replacement cost (\$500 deductible)	53,938,000
Boiler and Machinery (\$500 deductible)	13,078,600
Employers' Liability	2,000,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	2,000,000
Builders' Risk (\$500 deductible)	19,246,800

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 19)

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - RISK MANAGEMENT (Continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

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	10,000
- Each Accident	10,000
Fire Damage Limit - Any One Event	500,000
Products - Completed Operations Limit	1,000,000
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	3,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit (\$5,000 deductible)	1,000,000
Errors and Omissions Aggregate Limit	2,000,000
Employment Practices Injury Limit (\$5,000 deductible)	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

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

NOTE 11 - RISK MANAGEMENT (Continued)

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$256,167, and \$157,082, and \$84,018, respectively; 56.36 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,094,079, \$724,455, and \$727,967, respectively; 83.64 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$7,725 made by the School District and \$16,864 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System of Ohio/State Teachers Retirement System. As of June 30, 2003, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$84,160 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$216,097.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 to 240 days depending on the position of personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days.

B. Employee Benefits

For fiscal year 2003, the School District participated in the Clermont County Insurance Consortium (the Consortium), an insurance purchasing pool (Note 19), in order to provide dental, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Consortium provides insurance policies in whole or in part through one or more group insurance policies.

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the prior year, the School District entered into a lease-purchase agreement for the construction of improvements to the High School, Spaulding Middle School, and Marr/Cook Elementary School. The School District is leasing the project site from PS&W Holding Company. PS&W Holding Company assigned U.S. Bank as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor. As part of the agreement, U.S. Bank deposited \$3,045,867, with a fiscal agent for the construction and renovation project. U.S. Bank has sold certificates of participation in the building lease. The School District will make annual lease payments to U.S. Bank. Interest rates range between 2.5% and 5%. The lease is renewable annually and expires in 2021. The intention of the District is to renew the lease annually.

The District also entered into a lease-purchase agreement for the construction of a new track, tennis courts and playground equipment. The School is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority will retain title to the project during the lease term. Rickenbacker Port Authority has assigned National City Bank as trustee. National City Bank deposited \$805,200 with a fiscal agent for the construction. Amounts are reimbursed to the School District for expenditures made on work completed. Reimbursement requests need to be in approximately \$100,000 increments. The District will make semi-annual lease payments to National City Bank. Interest rates are based on a calculation of the TBMA Index. The lease is renewable annually and expires in 2012. The intention of the District is to renew the lease annually.

At year-end, capital assets that were constructed under these leases have been capitalized as buildings and building improvements on the statement of net assets for governmental activities in the amount of \$2,524,099. Principal payments of \$185,000 were made during fiscal year 2003. The principal amount owed on the leases at year-end is \$3,701,000.

In prior years, the School District entered into a capitalized lease for the acquisition of computer equipment and copiers. During fiscal year 2003, the School District entered into new capital leases for copiers and computer equipment. The new lease agreements are accounted for as capital outlay expenditure in the general fund with an offsetting amount reported as an other financing source, inception of capital lease. Principal payments of \$132,039 were made during fiscal year 2003. The terms of the agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lease. 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Computer Equipment	\$479,484	\$239,742	\$239,742
Copier Equipment	132,113	39,751	92,362
Totals	<u>\$611,597</u>	<u>\$279,493</u>	<u>\$332,104</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003:

Fiscal Year Ending June 30,	Total Payments
2004	\$516,532
2005	517,786
2006	519,024
2007	355,541
2008	344,555
2009 - 2013	1,617,245
2014 - 2018	1,203,698
2019 - 2021	715,855
Total Minimum Lease Payments	<u>5,790,236</u>
Less: Amount Representing Interest	<u>(1,623,456)</u>
Present Value of Net Minimum Lease Payments	<u>\$4,166,780</u>

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due in One Year
<u>Governmental Activities:</u>					
2002 Energy Conservation Notes 2.05%	\$180,000	\$0	\$60,000	\$120,000	\$60,000
<u>General Obligation Bonds:</u>					
2000 School Improvement Bonds 5.60%	6,560,000	0	210,000	6,350,000	245,000
Compensated Absences	1,291,923	314,404	489,249	1,117,078	32,190
Capital Leases	4,419,122	64,697	317,039	4,166,780	329,090
Total Governmental Activities					
Long-Term Obligations	<u>\$12,451,045</u>	<u>\$379,101</u>	<u>\$1,076,288</u>	<u>\$11,753,858</u>	<u>\$666,280</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

On April 12, 2002, the School District issued \$180,000 in unvoted general obligation debt for the purpose of providing energy conservation measures for the School District, under authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a three year period with final maturity during fiscal year 2005. The debt will be will be retired from the anticipated savings over the three years.

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 issued with an interest rate that varies between 4.4% and 6.25% for a 23 year period with final maturity in fiscal year 2023 and will be repaid from the debt service fund.

Compensated absences will be paid from the General, Food Service, Emergency Management Information Systems, Title VI-B, Title I and Title VI-R funds. Capital lease obligations will be paid from the General Fund and the Debt Service Funds.

The School District's overall legal debt margin was \$11,299,736, the energy conservation note debt margin was \$1,584,552, and the unvoted debt margin of \$189,395 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

2002 Energy Conservation Notes

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$60,000	\$2,460	\$62,460
2005	60,000	1,230	61,230
	<u>\$120,000</u>	<u>\$3,690</u>	<u>\$123,690</u>

General Obligation Bonds for Classroom Facilities

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$245,000	\$341,735	\$586,735
2005	260,000	330,055	590,055
2006	280,000	317,430	597,430
2007	320,000	303,250	623,250
2008	345,000	287,370	632,370
2009-2013	940,000	1,286,738	2,226,738
2014-2018	1,550,000	919,609	2,469,609
2019-2023	2,410,000	359,315	2,769,315
	<u>\$6,350,000</u>	<u>\$4,145,502</u>	<u>\$10,495,502</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 17 - INTERFUND ACTIVITY

Transfers made during the year-ended June 30, 2003, were as follows:

Transfer To	Transfer From	
	General	Permanent Improvement
Classroom Facilities Fund	\$0	\$162,787
All Other Nonmajor Governmental Funds	172,339	0
Total	<u>\$172,339</u>	<u>\$162,787</u>

Transfers were made to make annual loan debt service payments and to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 18 - 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 Cooperative 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 Cooperative organization 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. The School District has no ongoing financial interest in or responsibility for the Association. Complete financial statements for H/CCA can be obtained from Al Porter, Director, at their 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 consortium of school districts to operate 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 \$46,038 for services provided during the year. Complete financial statements for H/CCA can be obtained from Al Porter, Director, at their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Great Oaks Joint Vocational School - The Great Oaks Joint Vocational School, 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 board, which possesses its own budgeting and taxing authority. Great Oaks Joint Vocational School 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 Vocational School. Complete financial statements for Great Oaks Joint Vocational School can be obtained from the Treasurer, John Wahle, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 19 - GROUP INSURANCE PURCHASING POOLS

Clermont County Insurance Consortium - The Clermont County Insurance Consortium (the Consortium), an insurance purchasing pool, is an insurance consortium formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's, employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, Southwestern Ohio Educational Purchasing Council, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District is responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintains no right to any assets of the Consortium. The School District may terminate participation in the Consortium for the benefit if its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from Dr. Alexander, Administrator of the Clermont County Insurance Consortium, at P.O. Box 526 Middletown, Ohio 45042.

Ohio School Plan - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 - GROUP INSURANCE PURCHASING POOL (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 year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is no longer required to set aside funds in the budget reserve, 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.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	\$20,926	\$0	\$2,132
Current Year Set-aside Requirement	330,237	330,237	0
Qualifying Disbursements	(301,506)	0	0
Current Year Offsets	0	(616,570)	0
Totals	<u>\$49,657</u>	<u>(\$286,333)</u>	<u>\$2,132</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$49,657</u>	<u>\$0</u>	<u>\$2,132</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$49,657</u>	<u>\$0</u>	<u>\$2,132</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future years and is therefore not presented as being carried forward to the next fiscal year.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual purchase commitments as follows:

Contractor	Contract Amount	Amount Expended	Balance At June 30, 2003
Apex Construction Service	\$2,685,866	\$2,652,253	\$33,613
Sidney Electric Company	1,089,083	1,015,025	74,058
TAC Control Solutions	743,753	741,383	2,370
Ayer Electric, Inc.	617,877	614,877	3,000
Fanning/Howey Associates	554,054	504,114	49,940
J & H Mechanical	310,275	307,700	2,575
Debra Kuempel	257,789	240,816	16,973
J-Tac Communications	134,500	106,648	27,852
Firematic, Inc.	104,748	103,689	1,059
Schiller Hardware	4,153	0	4,153
United Signs	2,728	0	2,728
Total	<u>\$6,504,826</u>	<u>\$6,286,505</u>	<u>\$218,321</u>

NOTE 22 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 23 - CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 23 – CONTINGENCIES (Continued)

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$54,060	\$0	\$54,060
National School Lunch Program	LL-P4	10.555	212,050		212,050	
Total U.S. Department of Agriculture - Nutrition Cluster			212,050	54,060	212,050	54,060
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	301,352		265,103	
Total Special Education Cluster			301,352	0	265,103	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	345,063		316,930	
Drug-Free Schools Grant	DR-S1	84.186	18,895		17,790	
Goals 2000	G2S2-02	84.276	2,210		9,573	
Innovative Educational Program Strategies	C2-S1	84.298	9,440		10,516	
Improving Teacher Quality State Grants	TR-S1 CR-S1	84.367	41,365 6,206		41,365 17,150	
Eisenhower Professional Development State Grant	MS-S1	84.281	47,571 0		58,515 8,135	
Technology Literacy Challenge Fund	TJ-S1	84.318	7,953		32,953	
School Renovation, IDEA and Technology	AT-S2 AT-S3 AT-S4	84.352A	7,404 7,394 4,246		7,404 7,394 0	
Total Department of Education			751,528		734,315	
Totals			\$963,578	\$54,060	\$946,363	\$54,060

See accompanying notes to the Schedule of Federal Awards Expenditures

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2003, the District had no significant food commodities in inventory.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

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

Goshen Local School District
Clermont County
6785 Goshen Road
Goshen, Ohio 45122

To the Board of Education:

We have audited the accompanying financial statements of Goshen Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated June 15, 2004, which we noted the District adopted Governmental Accounting Standards Board Statement No. 34, 36, 37, 41, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated June 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated June 15, 2004.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 15, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Goshen Local School District
Clermont County
6785 Goshen Road
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 are applicable to each of its major federal programs for the year ended June 30, 2003. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated June 15, 2004.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 15, 2004

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1-CFDA#84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 1, 2004**