



**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 year ended June 30, 2004, 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 Goshen Local School District, Clermont County, Ohio, as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2005, 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

March 9, 2005

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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, 2004. 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.

Financial Highlights

- The assets of the Goshen Local School District exceeded its liabilities at June 30, 2004 by \$41,403,249. Of this amount, \$2,448,840 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 \$1,977,207 during this year's operations.
- General revenues accounted for \$18,293,351 or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$3,058,402 or 14 percent of total revenues of \$21,351,753.
- The School District had \$23,328,960 in expenses related to governmental activities; only \$3,058,402 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.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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 Construction 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 2004?" 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 8. 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
For the Fiscal Year Ended June 30, 2004
Unaudited

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. 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.

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.

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 2004 and 2003:

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 1)
 Net Assets

	2004	2003
Assets		
Current and Other Assets	\$14,364,205	\$16,073,276
Capital Assets	44,740,814	45,432,912
Total Assets	59,105,019	61,506,188
Liabilities		
Long-Term Liabilities	11,273,381	11,753,858
Other Liabilities	6,428,389	6,371,874
Total Liabilities	17,701,770	18,125,732
Net Assets		
Invested in Capital Assets, Net of Related Debt	35,879,414	36,123,100
Restricted	3,074,995	3,289,729
Unrestricted	2,448,840	3,967,627
Total Net Assets	\$41,403,249	\$43,380,456

Net assets decreased by \$1,977,207. This was due to the following factors. Capital assets added during the year of \$1,363,555 were not enough to offset depreciation expense for the year of \$2,055,653. 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 expenses exceeding revenues for the year.

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 basis 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. General Revenues include taxes, unrestricted grants, such as state foundation support and unrestricted investment earnings.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 2)
Change in Net Assets

	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$799,318	\$925,898
Operating Grants and Contributions	2,197,484	2,580,140
Capital Grants and Contributions	61,600	26,928
Total Program Revenues	<u>3,058,402</u>	<u>3,532,966</u>
General Revenues:		
Property Taxes	4,694,509	4,051,036
Income Taxes	2,098,279	1,993,375
Grants and Entitlements not Restricted to Specific Programs	11,200,639	9,797,096
Contributions not Restricted to Specific Programs	1,876	0
Investment Earnings	67,100	306,969
Miscellaneous	230,948	403,049
Total General Revenues	<u>18,293,351</u>	<u>16,551,525</u>
Total Revenues	<u>\$21,351,753</u>	<u>\$20,084,491</u>
Program Expenses		
Instruction		
Regular	\$9,407,514	\$8,945,723
Special	1,923,853	1,677,143
Vocational	167,732	156,488
Support Services		
Pupils	1,556,919	1,363,860
Instructional Staff	1,845,734	1,348,704
Board of Education	67,872	48,473
Administration	1,552,825	2,182,579
Fiscal	583,462	570,157
Business	14,237	22,481
Operation and Maintenance of Plant	2,375,971	1,424,479
Pupil Transportation	1,885,073	1,819,060
Central	2,360	44,467
Operation of Non-Instructional Services		
Food Services	934,737	769,509
Other	84,091	72,490
Extracurricular Activities	412,125	453,965
Interest and Fiscal Charges	514,455	564,843
Total Expenses	<u>23,328,960</u>	<u>21,464,421</u>
Decrease in Net Assets	<u>(\$1,977,207)</u>	<u>(\$1,379,930)</u>

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Governmental Activities

Grants and Entitlements and property taxes made up 42 and 22 percent, respectively, of revenues for governmental activities of the Goshen Local School District for fiscal year 2004.

For the fiscal year 2004, the School District experienced an 8 percent increase in expenses with only a 6 percent increase in revenues. Approximately 4 percent of the increase in expenses was in the operation and maintenance of plant line item. This was due to the high costs associated with heating and cooling during the year.

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 between these two columns for each year would represent restricted grants, fees and donations.

(Table 3)

	Total Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2004	Net Cost of Services 2003
Instruction	\$11,499,099	\$10,779,354	\$9,768,530	\$9,124,998
Support Services	9,884,453	8,824,260	9,477,254	7,862,846
Operation of Non-				
Instructional Services	1,018,828	841,999	232,678	60,918
Extracurricular Activities	412,125	453,965	277,641	317,850
Interest and Fiscal Charges	514,455	564,843	514,455	564,843
Total Expenses	\$23,328,960	\$21,464,421	\$20,270,558	\$17,931,455

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District's Funds

Information about the School District's major funds start on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$22,992,692 and expenditures and other financing uses of \$24,781,789. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$1,558,568. 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 School District. The decline in interest rates has also had a large impact on the interest revenue earned by the School District. For fiscal year 2004, the School District saw interest revenue decline \$210,131. The Construction Fund saw an increase in fund balance of \$1,005,456. This was due to funds being transferred from the Permanent Improvement Fund to the Construction Fund in relation to the School Facilities project.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal 2004 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 \$19,823 above the final budgeted amount in the General Fund.

For the general fund, actual budget basis revenue was \$17,842,624 with original budget estimates of \$17,845,146.

Capital Assets and Debt Administration

Capital Assets

The Goshen Local School District's investment in capital assets as of June 30, 2004 was \$44,740,814. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and books and educational media. Table 4 shows fiscal year 2004 balances compared to 2003:

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

	2004	2003
Land	\$861,560	\$855,205
Construction in Progress	1,099,359	0
Land Improvements	1,890,994	1,908,862
Buildings and Improvements	38,451,894	39,901,582
Furniture and Equipment	2,059,450	2,260,944
Vehicles	10,765	16,134
Books and Educational Media	366,792	490,185
Totals	\$44,740,814	\$45,432,912

Net capital assets decreased \$692,098 from the prior year. This is due to depreciation expense for the year exceeding additions to capital assets.

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

Debt

At June 30, 2004 the School District had \$6,165,000 in bonds and notes outstanding, \$320,000 due within one year. Table 5 summarizes bonds and notes outstanding:

(Table 5)
 Outstanding Debt, at Year End

	2004	2003
General Obligation Notes		
2002 Energy Conservation Notes 2.05%	\$60,000	\$120,000
General Obligation Bonds:		
2000 School Improvement Bonds 5.60%	6,105,000	6,350,000
2002 Certificates of Participation 2.5%-4.3%	2,835,000	2,950,000
Totals	\$9,000,000	\$9,420,000

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.

Goshen Local School District
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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

On February 14, 2002, the School District entered a lease agreement with 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 trustee issued \$3,200,000 in Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance of the Certificates were deposited with a fiscal agent and used for the construction and renovation project.

The School District's overall legal debt margin was \$12,651,000, the energy conservation note debt margin was \$1,743,090, and the unvoted debt margin of \$200,343 at June 30, 2004.

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

District Challenges for the Future

The Goshen Local School District, like many other's in Ohio, face a huge challenge when it comes to finances and budgeting. Ohio is currently looking at the way schools are financed throughout the State. Governor Taft's Blue Ribbon Committee has reviewed how Ohio schools are funded, and many recommendations have been presented to legislators as a way to better fund schools.

The State's bi-annual budget is looking at a large deficit for the upcoming year. The impact of this deficit on school funding can not be determined at this time. It will most likely place more financial burden on the local taxpayers across the State of Ohio.

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.

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GOSHEN LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,788,363
Cash and Cash Equivalents with Escrow Agents	13,849
Materials and Supplies Inventory	5,083
Accrued Interest Receivable	15,922
Accounts Receivable	21,305
Intergovernmental Receivable	161,762
Prepaid Items	35,756
Property Taxes Receivable	4,764,945
Income Tax Receivable	936,143
Investments with Fiscal Agents	1,621,077
Capital Assets:	
Land	861,560
Construction in Progress	1,099,359
Depreciable Capital Assets, Net	<u>42,779,895</u>
<i>Total Assets</i>	<u>59,105,019</u>
Liabilities	
Accounts Payable	316,750
Accrued Wages and Benefits	1,497,893
Intergovernmental Payable	736,064
Accrued Interest Payable	38,719
Matured Compensated Absences Payable	77,211
Retainage Payable	13,849
Deferred Revenue	3,747,903
Long-Term Liabilities:	
Due Within One Year	702,881
Due in More Than One Year	<u>10,570,500</u>
<i>Total Liabilities</i>	<u>17,701,770</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	35,879,414
Restricted for Debt Service	1,003,972
Restricted for Capital Outlay	1,450,385
Restricted for Other Purposes	574,908
Restricted for Set-Asides	45,730
Unrestricted	<u>2,448,840</u>
<i>Total Net Assets</i>	<u><u>\$41,403,249</u></u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$9,407,514	\$149,039	\$196,684	\$61,600	(\$9,000,191)
Special	1,923,853	0	1,286,642	0	(637,211)
Vocational	167,732	0	36,604	0	(131,128)
Support Services:					
Pupils	1,556,919	78,387	96,792	0	(1,381,740)
Instructional Staff	1,845,734	2,741	75,388	0	(1,767,605)
Board of Education	67,872	0	0	0	(67,872)
Administration	1,552,825	1,349	21,232	0	(1,530,244)
Fiscal	583,462	0	0	0	(583,462)
Business	14,237	0	0	0	(14,237)
Operation and Maintenance of Plant	2,375,971	16,060	0	0	(2,359,911)
Pupil Transportation	1,885,073	0	115,250	0	(1,769,823)
Central	2,360	0	0	0	(2,360)
Operation of Non-Instructional Services:					
Food Service Operations	934,737	417,258	280,719	0	(236,760)
Other	84,091	0	88,173	0	4,082
Extracurricular Activities	412,125	134,484	0	0	(277,641)
Interest and Fiscal Charges	514,455	0	0	0	(514,455)
Total Governmental Activities	\$23,328,960	\$799,318	\$2,197,484	\$61,600	(20,270,558)
General Revenues					
Property Taxes Levied for:					
General Purposes					3,943,426
Debt Service					665,960
Capital Outlay					85,123
Municipal Income Tax					2,098,279
Grants and Entitlements not					
Restricted to Specific Programs					11,200,639
Contributions not Restricted to Specific Programs					1,876
Investment Earnings					67,100
Miscellaneous					230,948
Total General Revenues					18,293,351
Change in Net Assets					(1,977,207)
Net Assets Beginning of Year					43,380,456
Net Assets End of Year					\$41,403,249

See accountant's compilation report
See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004

	General	Construction Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,021,095	\$1,352,207	\$1,369,331	\$6,742,633
Investments with Fiscal Agent	0	1,307,295	313,782	1,621,077
Receivables:				
Property Taxes	3,998,240	0	766,705	4,764,945
Income Tax	936,143	0	0	936,143
Accounts	21,305	0	0	21,305
Intergovernmental	0	0	161,762	161,762
Accrued Interest	15,922	0	0	15,922
Prepaid Items	35,756	0	0	35,756
Materials and Supplies Inventory	0	0	5,083	5,083
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	45,730	0	0	45,730
Cash and Cash Equivalents with Escrow Agents	0	13,849	0	13,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$9,074,191</u>	<u>\$2,673,351</u>	<u>\$2,616,663</u>	<u>\$14,364,205</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable	\$266,517	\$0	\$50,233	\$316,750
Accrued Wages and Benefits Payable	1,331,494	0	166,399	1,497,893
Intergovernmental Payable	441,041	0	10,165	451,206
Matured Compensated Absences Payable	77,211	0	0	77,211
Retainage Payable	0	13,849	0	13,849
Deferred Revenue	3,624,022	0	717,659	4,341,681
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>5,740,285</u>	<u>13,849</u>	<u>944,456</u>	<u>6,698,590</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	351,920	849,890	94,748	1,296,558
Reserved for Property Taxes	507,700	0	98,900	606,600
Reserved for Textbooks and Instructional Materials	43,598	0	0	43,598
Reserved for Budget Stabilization	2,132	0	0	2,132
Unreserved, Undesignated, Reported in:				
General Fund	2,428,556	0		2,428,556
Special Revenue Funds	0	0	527,482	527,482
Debt Service Fund	0	0	637,295	637,295
Capital Projects Funds	0	1,809,612	313,782	2,123,394
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>3,333,906</u>	<u>2,659,502</u>	<u>1,672,207</u>	<u>7,665,615</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,074,191</u>	<u>\$2,673,351</u>	<u>\$2,616,663</u>	<u>\$14,364,205</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, 2004

Total Governmental Fund Balances \$7,665,615

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

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

Land	861,560	
Other capital assets	53,449,090	
Accumulated depreciation	<u>(9,569,836)</u>	
Total capital assets		44,740,814

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	410,442	
Income taxes	127,660	
Intergovernmental	49,854	
Interest	<u>5,822</u>	
		593,778

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (284,858)

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	(6,165,000)	
Accrued interest on bonds	(38,719)	
Capital leases	(3,971,726)	
Compensated absences	<u>(1,136,655)</u>	
Total liabilities		<u>(11,312,100)</u>

Net Assets of Governmental Activities \$41,403,249

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, 2004

	General	Construction	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,763,725	\$0	\$715,755	\$4,479,480
Municipal Income Tax	2,098,279	0	0	2,098,279
Intergovernmental	11,562,777	429,345	1,516,216	13,508,338
Interest	46,724	18,011	14,859	79,594
Tuition and Fees	850	0	100,180	101,030
Extracurricular Activities	0	0	265,001	265,001
Rentals	16,029	0	0	16,029
Customer Sales and Service	0	0	417,258	417,258
Contributions and Donations	0	0	1,876	1,876
Miscellaneous	108,933	97,027	24,988	230,948
<i>Total Revenues</i>	<u>17,597,317</u>	<u>544,383</u>	<u>3,056,133</u>	<u>21,197,833</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,866,044	0	406,562	8,272,606
Special	1,190,683	0	574,869	1,765,552
Vocational	143,142	0	7,939	151,081
Support Services:				
Pupils	1,124,924	0	228,088	1,353,012
Instructional Staff	1,593,325	0	88,627	1,681,952
Board of Education	62,029	0	0	62,029
Administration	1,410,100	0	26,308	1,436,408
Fiscal	543,600	0	13,972	557,572
Business	14,237	0	0	14,237
Operation and Maintenance of Plant	2,256,581	0	28,042	2,284,623
Pupil Transportation	1,844,145	0	3,379	1,847,524
Operation of Non-Instructional Services:				
Food Service Operations	0	0	785,220	785,220
Other	337	0	82,635	82,972
Extracurricular Activities	182,120	0	138,520	320,640
Capital Outlay	143,883	1,089,606	130,066	1,363,555
Debt Service:				
Principal Retirement	312,580	0	327,457	640,037
Interest and Fiscal Charges	132,374	0	375,519	507,893
<i>Total Expenditures</i>	<u>18,820,104</u>	<u>1,089,606</u>	<u>3,217,203</u>	<u>23,126,913</u>
Excess of Revenues Under Expenditures	<u>(1,222,787)</u>	<u>(545,223)</u>	<u>(161,070)</u>	<u>(1,929,080)</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	139,983	0	0	139,983
Transfers In	0	1,550,679	104,197	1,654,876
Transfers Out	(475,764)	0	(1,179,112)	(1,654,876)
<i>Total Other Financing Sources (Uses)</i>	<u>(335,781)</u>	<u>1,550,679</u>	<u>(1,074,915)</u>	<u>139,983</u>
<i>Net Change in Fund Balances</i>	<u>(1,558,568)</u>	<u>1,005,456</u>	<u>(1,235,985)</u>	<u>(1,789,097)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,892,474</u>	<u>1,654,046</u>	<u>2,908,192</u>	<u>9,454,712</u>
<i>Fund Balances End of Year</i>	<u>\$3,333,906</u>	<u>\$2,659,502</u>	<u>\$1,672,207</u>	<u>\$7,665,615</u>

GOSHEN LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balance of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds (\$1,789,097)

*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	1,363,555	
Depreciation expense	(2,055,653)	
Excess of capital outlay over depreciation expense		(692,098)

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	215,029	
Intergovernmental	(49,123)	
Interest	(11,986)	
		153,920

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. (139,983)

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	305,000	
Capital lease payments	335,037	
Total long-term debt repayment		640,037

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

Increase in compensated absences payable	(19,577)	
Increase in accrued interest payable	(6,562)	
Increase in intergovernmental payable	(123,847)	
Total (increase)/decrease		(149,986)

Change in Net Assets of Governmental Activities (\$1,977,207)

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<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	\$3,507,859	\$3,686,625	\$3,686,625	\$0
Income Tax	2,075,568	2,047,451	2,047,451	0
Intergovernmental	11,721,566	11,562,777	11,562,777	0
Interest	95,162	93,873	106,809	12,936
Tuition and Fees	56,366	55,602	57,962	2,360
Rent	18,642	18,389	16,029	(2,360)
Miscellaneous	369,983	364,971	364,971	0
Total Revenues	17,845,146	17,829,688	17,842,624	12,936
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,804,107	8,179,220	8,179,221	(1)
Special	1,174,970	1,215,941	1,215,941	0
Vocational	136,520	143,597	143,597	0
Other	5,549	0	0	0
Support Services:				
Pupils	1,084,802	1,121,829	1,121,828	1
Instructional Staff	1,597,566	1,601,824	1,594,933	6,891
Board of Education	61,411	62,079	62,079	0
Administration	1,605,998	1,616,527	1,616,530	(3)
Fiscal	533,015	560,488	560,488	0
Business	13,496	14,237	14,237	0
Operation and Maintenance of Plant	2,433,259	2,560,862	2,560,863	(1)
Pupil Transportation	1,830,948	2,022,651	2,022,651	0
Operation of Non-Instructional Services				
Services	965	1,018	1,018	0
Extracurricular Activities:				
Academic Orientd Activities	19,992	21,090	21,090	0
Sports Oriented Activities	148,755	156,927	156,927	0
School and Public Co-curricular Activities				
Activities	4,301	4,537	4,537	0
Capital Outlay	3,697	3,900	3,900	0
Debt Service:				
Principal Retirement	165,887	175,000	175,000	0
Interest and Fiscal Charges	122,467	129,195	129,195	0
Total Expenditures	18,747,704	19,590,922	19,584,035	6,887
Excess of Revenues Over (Under) Expenditures	(902,558)	(1,761,234)	(1,741,411)	19,823
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	55	55	55	0
Refund of Prior Year Expenditures	53	53	53	0
Operating Transfers Out	(475,766)	(475,766)	(475,766)	0
Total Other Financing Sources (Uses)	(475,658)	(475,658)	(475,658)	0
Net Change in Fund Balance	(1,378,216)	(2,236,892)	(2,217,069)	19,823
Fund Balances at Beginning of Year	4,882,676	4,882,676	4,882,676	0
Prior Year Encumbrances Appropriated	652,696	652,696	652,696	0
Fund Balances at End of Year	\$4,157,156	\$3,298,480	\$3,318,303	\$19,823

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$13,617</u>	<u>\$55,413</u>
Liabilities		
Undistributed Monies	<u>0</u>	<u>55,413</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$55,413</u>
Net Assets		
Held in Trust for Scholarships	<u>13,617</u>	
<i>Total Net Assets</i>	<u>\$13,617</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, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions		
Gifts and Contributions	\$3,700	
Deductions		
Payments in Accordance with Trust Agreement	<u>2,494</u>	
<i>Change in Net Assets</i>	1,206	
<i>Net Assets Beginning of Year</i>	<u>12,411</u>	
<i>Net Assets End of Year</i>		<u><u>\$13,617</u></u>

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 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. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

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

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 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 ordinarily distinguish between those activities that are governmental and those that are considered business-type activities, however, 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 are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

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

General Fund - The General Fund is the operating fund of the School District and is used to account for 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.

Construction Fund - The Construction Fund is used to account for all intergovernmental receipts, 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 of the School District, whose use is restricted to a particular purpose.

Fiduciary Funds:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements:

The government-wide 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 on 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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". The School District also utilizes an escrow agent to hold retainage on construction contracts. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Escrow Agents" and represents deposits.

During fiscal year 2004, the School District's investments consisted of Milestone Treasury Money Market Mutual Fund, an investment with Bayerishce Hypd Und Verninsbank, 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, 2004.

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 2004 amounted to \$46,724 which includes \$20,725 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.

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 food held for resale.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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 19 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 land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and are eliminated from the Statement of Activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2004, the following funds had deficit fund balances:

	Amount
<i>Special Revenue Funds:</i>	
Food Service	(\$59,677)
Career Development	(8)
Education Management Information Systems	(2,707)
Disadvantaged Pupil Impact Aid	(10,132)
Ohio Reads	(23)
Summer School Subsidy	(7,258)
Drug-Free Grant	(1,686)
Title II-D	(171)

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 final appropriations in excess of final estimated resources plus available balances for the fiscal year ended June 30, 2004:

Fund	Estimated Resources and Balances	Appropriations	Excess
Special Revenue Funds:			
Food Service	\$684,381	\$750,793	(\$66,412)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance
GAAP Basis	(\$1,558,568)
Adjustments:	
Revenue Accruals	81,115
Net Decrease in Fair Value of Investments - Fiscal Year 2004	41,275
Net Decrease in Fair Value of Investments - Fiscal Year 2003	(16,933)
Expenditure Accruals	25,839
Encumbrances	(789,772)
Unrecorded Cash	(25)
Budget Basis	(\$2,217,069)

NOTE 5 - 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, 2004

NOTE 5 - 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.

NOTE 5 - 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 (\$268,146) and the bank balance was \$175,394. Of the bank balance, \$100,000 was covered by the federal depository insurance and \$75,394 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. Investments 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, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
STAROhio	\$0	\$101,610	\$101,610
Milestone Treasury Money Market Mutual Fund	0	189	189
Bayerische Hypd Und Verinsbank Money Market Mutual Fund	0	68,756	68,756
Armada Government Money Market Mutual Fund	0	31,841	31,841
Federated Automated Government Money Market Mutual Fund	0	13,852	13,852
First American Treasury Money Market Mutual Fund	0	297,688	297,688
Federal Home Loan Bank Notes	2,329,190	0	2,329,190
Federal National Mortgage Association Notes	1,891,560	0	1,891,560
Federal Home Loan Mortgage Corporation Notes	4,025,779	0	4,025,779
Totals	<u>\$8,246,529</u>	<u>\$513,936</u>	<u>\$8,760,465</u>

A reconciliation between the classifications of cash and cash equivalents and investments on the basic 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>	\$6,871,242	\$1,621,077
Investments:		
STAROhio	(101,610)	101,610
Milestone Treasury Money Market Mutual Fund	(189)	189
Federated Automated Government Money Market Mutual Fund	(13,852)	13,852
First American Treasury Money Market Mutual Fund	(25,853)	25,853
Federal Home Loan Bank Notes	(2,329,190)	2,329,190
Federal National Mortgage Association Notes	(1,891,560)	1,891,560
Federal Home Loan Mortgage Corporation Notes	(2,777,134)	2,777,134
<i>GASB Statement No. 3</i>	<u>(\$268,146)</u>	<u>\$8,760,465</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - 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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. 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, 2004, are available to finance fiscal year 2004 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, 2004, 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, 2004

NOTE 6 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2004, was \$507,700 in the General Fund, \$11,100 in the Classroom Facilities Special Revenue Fund, and \$87,800 in the Bond Retirement Debt Service Fund. 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.

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 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$171,739,670	90.68%	\$183,652,240	91.67%
Public Utility	10,705,010	5.65%	10,804,630	5.39%
Tangible Personal Property	6,949,990	3.67%	5,886,514	2.94%
Total Assessed Value	\$189,394,670	100.00%	\$200,343,384	100.00%
Tax rate per \$1,000 of assessed valuation	\$30.40		\$30.40	

NOTE 7 - INCOME TAX

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property tax, income taxes, accounts, intergovernmental grants, and accrued interest. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Federal Lunch Reimbursements	\$35,071
Title I	53,856
Title IV Drug Free Schools	4,032
Title V Inovative Programs	3,745
Title VI-B Special Education	27,075
Title VI-R Class Size Reduction	<u>37,983</u>
Total Intergovernmental Receivables	<u><u>\$161,762</u></u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Ending Balance 6/30/2003	Additions	Deletions	Ending Balance 6/30/2004
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$855,205	\$6,355	\$0	\$861,560
Construction in Progress	0	1,099,359	0	1,099,359
Total Capital Assets, Not Being Depreciated	<u>855,205</u>	<u>1,105,714</u>	<u>0</u>	<u>1,960,919</u>
Capital Assets Being Depreciated				
Land Improvements	2,483,542	87,473	0	2,571,015
Buildings and Improvements	45,113,133	0	0	45,113,133
Furniture and Equipment	3,682,940	170,368	0	3,853,308
Vehicles	149,777	0	0	149,777
Books and Educational Media	662,498	0	0	662,498
Total Capital Assets, Being Depreciated	<u>52,091,890</u>	<u>257,841</u>	<u>0</u>	<u>52,349,731</u>
Less Accumulated Depreciation:				
Land Improvements	(574,680)	(105,341)	0	(680,021)
Buildings and Improvements	(5,211,551)	(1,449,688)	0	(6,661,239)
Furniture and Equipment	(1,421,996)	(371,862)	0	(1,793,858)
Vehicles	(133,643)	(5,369)	0	(139,012)
Books and Educational Media	(172,313)	(123,393)	0	(295,706)
Total Accumulated Depreciation	<u>(7,514,183)</u>	<u>(2,055,653)*</u>	<u>0</u>	<u>(9,569,836)</u>
Total Capital Assets Being Depreciated, Net	<u>44,577,707</u>	<u>(1,797,812)</u>	<u>0</u>	<u>42,779,895</u>
Governmental Activities Capital Assets, Net	<u>\$45,432,912</u>	<u>(\$692,098)</u>	<u>\$0</u>	<u>\$44,740,814</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 – CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,034,524
Special	163,956
Vocational	15,599
Support Services:	
Pupils	198,413
Instructional Staff	171,608
Board of Education	5,843
Administration	84,788
Fiscal	29,404
Operation and Maintenance of Plant	92,998
Pupil Transportation	7,191
Central	2,360
Operation of Non-Instruction Services:	
Food Service Operations	156,365
Extracurricular Activities	92,604
Total Depreciation Expense	\$2,055,653

NOTE 10 - 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 2004, the School District contracted with The Hartford Insurance Company for property and fleet insurance, inland marine coverage, and for general liability insurance. Insurance coverage provided includes the following:

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)	3,000,000
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 School District pays this annual premium to the OSP. (See Note 18)

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - 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 10 - RISK MANAGEMENT (Continued)

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the 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 11 - 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 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, 2004, 2003, and 2002 were \$199,287, and \$256,167, and \$157,082, respectively; 72.25 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), 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, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined 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, 2004, plan members were required to contribute 10 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 2003, the portion used to fund pension obligations was also 13 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, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$985,367, \$1,094,079, and \$724,455, respectively; 89.93 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$11,340 made by the School District and \$24,896 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. As of June 30, 2004, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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 retirees of the DB or Combined Plans and their 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. All 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, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$75,797 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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 12 - 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$130,602.

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, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 13 - 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 2004, the School District participated in the Clermont County Insurance Consortium (the Consortium), an insurance purchasing pool (Note 18), 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2002, the District also entered into a lease-purchase agreement for the construction of a new track, tennis courts and playground equipment. The School District 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 were reimbursed to the School District for expenditures made on work completed. Reimbursement requests were made in approximately \$100,000 increments. The School 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 this lease have been capitalized as buildings, building improvements and construction in progress on the statement of net assets for governmental activities. Principal payments of \$70,000 were made during fiscal year 2004. The principal amount owed on the lease at year-end is \$681,000.

In prior years, the School District entered into a capitalized lease for the acquisition of computer equipment and copiers. During fiscal year 2004, the School District revised the capital lease for computer equipment to include new equipment of \$139,983 and to extend the scheduled payments by one year. The 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. Principal payments of \$150,037 were made during fiscal year 2004.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Computer Equipment	\$619,467	\$363,636	\$255,831
Copier Equipment	132,113	66,173	65,940
Totals	\$751,580	\$429,809	\$321,771

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

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, 2004:

Fiscal Year Ending June 30,	Total Payments
2005	\$292,459
2006	274,389
2007	246,158
2008	104,165
2009	102,719
2010 - 2014	309,915
Total Minimum Lease Payments	1,329,805
Less: Amount Representing Interest	(193,079)
Present Value of Net Minimum Lease Payments	\$1,136,726

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03	Additions	Deductions	Amount Outstanding 6/30/04	Amounts Due in One Year
<u>Governmental Activities:</u>					
2002 Energy Conservation Notes 2.05%	\$120,000	\$0	\$60,000	\$60,000	\$60,000
<u>General Obligation Bonds:</u>					
2000 School Improvement Bonds 5.60%	6,350,000	0	245,000	6,105,000	260,000
2002 Certificates of Participation 2.5%-4.30%	2,950,000	0	115,000	2,835,000	120,000
Compensated Absences	1,117,078	178,543	158,966	1,136,655	33,536
Capital Leases	1,216,780	139,983	220,037	1,136,726	229,345
Total Governmental Activities					
Long-Term Obligations	\$11,753,858	\$318,526	\$799,003	\$11,273,381	\$702,881

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 retired from the anticipated savings over the three years.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

On July 17, 2000, the School District issued \$6,891,000 in voted general obligation bonds for the purpose of constructing a new high school. The bonds were 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.

On February 14, 2002, the School District entered a lease agreement with 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 trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance of the Certificates were deposited with a fiscal agent and used for the construction and renovation project.

The obligation of the School District under the lease and any subsequent renewal is subject to the annual appropriation of the rental payments and are payable from the General Fund. The Certificates of Participation are not a general obligation of the School District but are payable only from appropriations by the School District for annual lease payments. The renovation project serves as security in the event of any failure of the School District to make lease payments.

Compensated absences will be paid from the General, Food Service, Classroom Facilities, Education Management Information Systems, Disadvantaged Pupil Impact Aid, Summer School Subsidy, Title VI-B, Title I, Title VI-R, and Title II-D funds. Capital lease obligations will be paid from the General and Debt Service Funds.

The School District's overall legal debt margin was \$12,651,000, the energy conservation note debt margin was \$1,743,090, and the unvoted debt margin of \$200,343 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

2002 Energy Conservation Notes

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2005	<u>\$60,000</u>	<u>\$1,230</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	<u>2000 School Improvement Bonds</u>		<u>2002 Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$260,000	\$330,055	\$120,000	\$123,498
2006	280,000	317,430	125,000	119,635
2007	320,000	303,250	130,000	115,232
2008	345,000	287,370	130,000	110,390
2009	145,000	275,574	135,000	105,154
2010-2014	1,050,000	1,231,700	775,000	432,018
2015-2019	1,705,000	822,349	965,000	233,923
2020-2023	2,000,000	236,040	455,000	23,070
	<u>\$6,105,000</u>	<u>\$3,803,768</u>	<u>\$2,835,000</u>	<u>\$1,262,920</u>

NOTE 16 - INTERFUND ACTIVITY

Transfers made during the year-ended June 30, 2004, were as follows:

Transfer To	Transfer From		
	General	All Other Nonmajor Governmental Funds	Total
Construction Fund	\$371,567	\$1,179,112	\$1,550,679
All Other Nonmajor Governmental Funds	104,197	0	104,197
Total	<u>\$475,764</u>	<u>\$1,179,112</u>	<u>\$1,654,876</u>

Transfers were made between the Permanent Improvement and General Fund to the Construction Fund in accordance with guidelines established by the Ohio School Facilities Commission in relation to the building projects. Transfers from the General Fund to the Other Nonmajor Governmental Funds were made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. 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.

B. 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.

C. 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 boards, 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 18 - GROUP INSURANCE PURCHASING POOLS

A. 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 2400 Clermont Center Drive, Suite 202, Batavia, OH 45103.

B. 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-Schuett 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-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

C. 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 19 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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, 2003	\$49,657	\$0	\$2,132
Current Year Set-aside Requirement	338,993	338,993	0
Qualifying Disbursements	(345,052)	0	0
Current Year Offsets	0	(811,220)	0
Totals	<u>\$43,598</u>	<u>(\$472,227)</u>	<u>\$2,132</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$43,598</u>	<u>\$0</u>	<u>\$2,132</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$43,598</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.

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the School District had contractual purchase commitments as follows:

Contractor	Contract Amount	Amount Expended	Balance At June 30, 2003
Schuhmacher Dugan Construction, Inc.	\$598,438	\$0	\$598,438
CTL Engineering, Inc.	80,180	0	80,180
Total	<u>\$678,618</u>	<u>\$0</u>	<u>\$678,618</u>

NOTE 21 – 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 22 - 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, 2004.

B. Litigation

The School District not a party to legal proceedings.

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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	\$53,855	\$0	\$53,855
National School Lunch Program	LL-P4-03 LL-P4-04	10.555 10.555	21,342 161,432		21,342 161,432	
Total U.S. Department of Agriculture - Nutrition Cluster			182,774	53,855	182,774	53,855
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-03 6B-SF-04	84.027 84.027	67,559 336,428		76,474 332,441	
Total Special Education Cluster			403,987	0	408,915	0
Title I Grants to Local Educational Agencies	C1-S1-04	84.010	262,535		278,438	
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-04	84.186	18,138		19,245	
Innovative Educational Program Strategies	C2-S1-04	84.298	20,022		24,268	
Improving Teacher Quality	TR-S1-04	84.367	128,765		102,428	
Technology Literacy Challenge Grant	TJ-S1-04	84.318	7,504		7,504	
Assistive Technology Infusion	AT-S4-02	84.352	0		4,246	
Eisenhower Professional Development	MS-SI	84.281	0		1,928	
Total Department of Education			840,951	0	846,972	0
Totals			\$1,023,725	\$53,855	\$1,029,746	\$53,855

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

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2004**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and 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— NUTRITION CLUSTER

Program regulations do not require the District 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. Cash receipts from the U.S Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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 basic financial statements of Goshen Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated March 9, 2005. 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 March 9, 2005.

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 basic 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 relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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 certain matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 9, 2005.

This report is intended for the information and use of the audit committee, management, the Board of Education, 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

March 9, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S 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 the 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 its major federal program for the year ended June 30, 2004. The District's major federal program is 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 its major federal program is the responsibility of the 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 the 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 its major federal program for the year ended June 30, 2004.

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 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.

This report is intended for the information and use of the audit committee, the 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

March 9, 2005

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA # 84.027 (Title VI-B)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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

**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
APRIL 14, 2005**