



**Auditor of State
Betty Montgomery**

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual (Budget Basis) – General Fund	17
Statement of Fiduciary Net Assets – Fiduciary Fund	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	19
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures.	55
Notes to the Schedule of Federal Awards Expenditures.....	56
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	59
Schedule of Findings.....	61

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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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goshen Local School District, Clermont County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

June 6, 2006

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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, 2005. 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, 2005 by \$38,354,895. Of this amount, \$2,811,494 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 \$3,048,354 during this year's operations.
- General revenues accounted for \$18,670,692 or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$3,076,978 or 14 percent of total revenues of \$21,747,670.
- The School District had \$23,390,721 in expenses related to governmental activities; only \$3,076,978 of these expenses were offset by program specific charges for services and sales, grants and contributions.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities 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 Bond Retirement Fund.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during 2005?” The statement of net assets and the statement 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 7. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

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

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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 2005 and 2004:

	(Table 1)	
	Net Assets	
	2005	2004
Assets		
Current and Other Assets	\$11,935,630	\$14,364,205
Capital Assets	43,684,014	44,740,814
Total Assets	55,619,644	59,105,019
 Liabilities		
Long-Term Liabilities	10,772,374	11,273,381
Other Liabilities	6,492,375	6,428,389
Total Liabilities	17,264,749	17,701,770
 Net Assets		
Invested in Capital Assets, Net of Related Debt	34,102,464	35,879,414
Restricted	1,440,937	3,074,995
Unrestricted	2,811,494	2,448,840
Total Net Assets	\$38,354,895	\$41,403,249

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Net assets decreased by \$3,048,354. This was due to the following factors. Capital assets added during the year of \$1,104,317 were not enough to offset depreciation expense for the year of \$2,021,134. Capital assets are used to provide services to students and do not represent assets that may be used for future spending. Restricted net assets decreased mainly due to expenses exceeding revenues for the year. The most significant expense was in the Construction Fund, where \$1,405,303 had to be returned to the Ohio School Facilities Commission. See Note 21 to the basic financial statements for more information. Unrestricted net assets increased due to increased revenues associated with property and income taxes.

Table 2 shows the highlights of the School 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 and sales, restricted grants, and contributions. General Revenues include property and income taxes, unrestricted grants, such as State foundation support, and unrestricted investment earnings.

(Table 2)
Change in Net Assets

	2005	2004
Revenues		
Program Revenues:		
Charges for Services and Sales	\$710,283	\$799,318
Operating Grants and Contributions	2,366,695	2,197,484
Capital Grants and Contributions	0	61,600
Total Program Revenues	3,076,978	3,058,402
General Revenues:		
Property Taxes	4,603,569	4,694,509
Income Taxes	2,274,592	2,098,279
Grants and Entitlements not Restricted to Specific Programs	11,146,122	11,200,639
Gifts and Donations	816	1,876
Investment Earnings	161,044	67,100
Miscellaneous	484,549	230,948
Total General Revenues	18,670,692	18,293,351
Total Revenues	21,747,670	21,351,753

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

(Table 2)
Change in Net Assets
(Continued)

	2005	2004
Program Expenses		
Instruction		
Regular	9,567,700	9,407,514
Special	1,997,903	1,923,853
Vocational	185,233	167,732
Support Services		
Pupils	1,594,332	1,556,919
Instructional Staff	1,799,622	1,845,734
Board of Education	41,218	67,872
Administration	1,470,270	1,552,825
Fiscal	559,756	583,462
Business	12,458	14,237
Operation and Maintenance of Plant	2,262,629	2,375,971
Pupil Transportation	1,975,365	1,885,073
Central	2,360	2,360
Operation of Non-Instructional Services		
Food Services	908,201	934,737
Other	112,445	84,091
Extracurricular Activities	416,101	412,125
Interest and Fiscal Charges	485,128	514,455
Total Expenses	<u>23,390,721</u>	<u>23,328,960</u>
Special Item	<u>(1,405,303)</u>	<u>0</u>
Decrease in Net Assets	<u>(3,048,354)</u>	<u>(1,977,207)</u>
Net Assets at Beginning of Year	<u>41,403,249</u>	<u>43,380,456</u>
Net Assets at End of Year	<u><u>\$38,354,895</u></u>	<u><u>\$41,403,249</u></u>

Grants and Entitlements and property taxes made up 51 and 21 percent, respectively, of revenues for governmental activities of the Goshen Local School District for fiscal year 2005.

For the fiscal year 2005, the School District experienced less than a one percent increase in expenses with a two percent increase in revenues. Instruction and pupil transportation expenses increased \$251,737, and \$90,292, respectively, over 2004 due to increases in salaries and benefits. The School District saw an increase in income tax revenue and operating grants received during the year. These increases however, did not surpass the increased expenses.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

(Table 3)

	Governmental Activities			
	Total Cost	Total Cost	Net Cost	Net Cost
	of Services	of Services	of Services	of Services
	2005	2004	2005	2004
Instruction	\$11,750,836	\$11,499,099	(\$9,992,442)	(\$9,768,530)
Support Services	9,718,010	9,884,453	(9,336,094)	(9,477,254)
Operation of Non-				
Instructional Services	1,020,646	1,018,828	(201,531)	(232,678)
Extracurricular Activities	416,101	412,125	(298,548)	(277,641)
Interest and Fiscal Charges	485,128	514,455	(485,128)	(514,455)
Total Expenses	\$23,390,721	\$23,328,960	(\$20,313,743)	(\$20,270,558)

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,917,799 and expenditures of \$23,131,504. The net change in fund balance for the fiscal year in the General Fund was an increase of \$181,715. This was due to increased collections in property and income tax revenues along with increases in State foundation revenues. These increases, along with moderate increases in expenditures, contributed to the increase in fund balance. The Bond Retirement Fund saw an increase of \$156,396. This was due to revenues exceeding the principal and interests payments for the year.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2005 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 \$1,761,885 above the final budgeted amount in the General Fund.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

For the General Fund, original budget basis revenue was \$18,136,324 with final budget estimates of \$18,497,633. The difference was due mainly to increased revenues from State foundation payments.

Original budget basis expenditures were \$19,471,860, while final budgeted expenditures were \$21,284,898. The increase was due to increased salaries and benefits along with rising energy costs. Actual expenditures were \$1,761,885 less than final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

The Goshen Local School District's investment in capital assets as of June 30, 2005 was \$43,684,014. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment, vehicles, and books and educational media. Table 4 shows fiscal year 2005 balances compared to 2004:

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

	2005	2004
Land	\$861,560	\$861,560
Construction in Progress	0	1,099,359
Land Improvements	2,533,806	1,890,994
Buildings and Improvements	38,307,348	38,451,894
Furniture and Equipment	1,606,149	2,059,450
Vehicles	15,891	10,765
Books and Educational Media	359,260	366,792
Totals	\$43,684,014	\$44,740,814

Net capital assets decreased \$1,056,800 from the prior fiscal year. This is due to depreciation expense for the fiscal year exceeding additions to capital assets.

For more information on capital assets, refer to note 10 to the basic financial statements.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

At June 30, 2005 the School District had \$8,560,000 in bonds and certificates of participation outstanding, with \$405,000 due within one year. Table 5 summarizes notes, bonds and certificates of participation outstanding:

(Table 5)
 Outstanding Debt, at Year-end

	2005	2004
2002 Energy Conservation Notes 2.05%	\$0	\$60,000
2000 School Improvement General Obligation Bonds 4.4%-6.25%	5,845,000	6,105,000
2002 Certificates of Participation 2.5%-5.0%	2,715,000	2,835,000
Totals	\$8,560,000	\$9,000,000

The School District's overall legal debt margin was \$12,468,954 and the unvoted debt margin of \$193,694 at June 30, 2005.

For more information on debt, refer to note 16 to the basic financial statements.

District Challenges for the Future

The Goshen Local School District, like many other School Districts 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.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Todd Shinkle, Treasurer, at Goshen Local School District, 6785 Goshen Road, Goshen, Ohio 45122.

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,045,889
Investments with Fiscal Agents	353,632
Materials and Supplies Inventory	7,465
Accrued Interest Receivable	8,482
Accounts Receivable	36,538
Intergovernmental Receivable	254,378
Prepaid Items	30,849
Property Taxes Receivable	5,179,295
Income Tax Receivable	1,019,102
Capital Assets:	
Land	861,560
Depreciable Capital Assets, Net	<u>42,822,454</u>
<i>Total Assets</i>	<u>55,619,644</u>
Liabilities	
Accounts Payable	217,926
Accrued Wages and Benefits Payable	1,497,935
Intergovernmental Payable	613,872
Accrued Interest Payable	27,001
Matured Compensated Absences Payable	34,108
Deferred Revenue	4,101,533
Long-Term Liabilities:	
Due Within One Year	794,315
Due in More Than One Year	<u>9,978,059</u>
<i>Total Liabilities</i>	<u>17,264,749</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	34,102,464
Restricted for Debt Service	886,714
Restricted for Capital Outlay	327,600
Restricted for Other Purposes	193,822
Restricted for Set-Asides	32,801
Unrestricted	<u>2,811,494</u>
<i>Total Net Assets</i>	<u>\$38,354,895</u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities	
Expenses				
Governmental Activities				
Instruction:				
Regular	\$9,567,700	\$117,502	\$170,702	(\$9,279,496)
Special	1,997,903	3,951	1,427,912	(566,040)
Vocational	185,233	538	37,789	(146,906)
Support Services:				
Pupils	1,594,332	3,961	107,936	(1,482,435)
Instructional Staff	1,799,622	5,052	89,519	(1,705,051)
Board of Education	41,218	118	0	(41,100)
Administration	1,470,270	4,512	29,909	(1,435,849)
Fiscal	559,756	1,703	0	(558,053)
Business	12,458	41	0	(12,417)
Operation and Maintenance of Plant	2,262,629	24,096	0	(2,238,533)
Pupil Transportation	1,975,365	6,486	108,583	(1,860,296)
Central	2,360	0	0	(2,360)
Operation of Non-Instructional Services:				
Food Service Operations	908,201	424,770	394,345	(89,086)
Other	112,445	0	0	(112,445)
Extracurricular Activities	416,101	117,553	0	(298,548)
Interest and Fiscal Charges	485,128	0	0	(485,128)
Total Governmental Activities	\$23,390,721	\$710,283	\$2,366,695	(20,313,743)
General Revenues				
Property Taxes Levied for:				
				3,864,678
				655,392
				83,499
				2,274,592
				11,146,122
				816
				161,044
				484,549
				<u>18,670,692</u>
				(1,643,051)
				<u>(1,405,303)</u>
				(3,048,354)
				<u>41,403,249</u>
				<u><u>\$38,354,895</u></u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2005

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,733,628	\$506,839	\$772,621	\$5,013,088
Investments with Fiscal Agents	0	250,606	103,026	353,632
Receivables:				
Property Taxes	4,326,958	756,084	96,253	5,179,295
Income Tax	1,019,102	0	0	1,019,102
Accounts	36,538	0	0	36,538
Intergovernmental	0	0	254,378	254,378
Accrued Interest	8,100	0	382	8,482
Interfund	139,359	0	0	139,359
Prepaid Items	30,849	0	0	30,849
Materials and Supplies Inventory	0	0	7,465	7,465
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	32,801	0	0	32,801
Total Assets	\$9,327,335	\$1,513,529	\$1,234,125	\$12,074,989
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable	\$194,925	\$0	\$23,001	\$217,926
Accrued Wages and Benefits Payable	1,355,890	0	142,045	1,497,935
Intergovernmental Payable	456,350	0	157,522	613,872
Matured Compensated Absences Payable	34,108	0	0	34,108
Deferred Revenue	3,770,441	632,038	122,703	4,525,182
Interfund Payable	0	0	139,359	139,359
Total Liabilities	5,811,714	632,038	584,630	7,028,382
<u>Fund Balances:</u>				
Reserved for Encumbrances	211,709	0	53,061	264,770
Reserved for Property Taxes	709,202	124,046	15,607	848,855
Reserved for Textbooks and Instructional Materials	30,669	0	0	30,669
Reserved for Budget Stabilization	2,132	0	0	2,132
Unreserved, Undesignated, Reported in:				
General Fund	2,561,909	0	0	2,561,909
Special Revenue Funds	0	0	253,227	253,227
Debt Service Fund	0	757,445	0	757,445
Capital Projects Funds	0	0	327,600	327,600
Total Fund Balances	3,515,621	881,491	649,495	5,046,607
Total Liabilities and Fund Balances	\$9,327,335	\$1,513,529	\$1,234,125	\$12,074,989

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, 2005

Total Governmental Fund Balances \$5,046,607

*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	54,413,424	
Accumulated depreciation	(11,590,970)	
Total capital assets	43,684,014	43,684,014

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	228,907	
Income taxes	145,316	
Intergovernmental	42,057	
Interest	7,369	
	423,649	423,649

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

Bonds payable	(5,845,000)	
Certificates of participation	(2,715,000)	
Accrued interest on bonds	(27,001)	
Capital leases	(1,021,550)	
Compensated absences	(1,190,824)	
Total liabilities	(10,799,375)	(10,799,375)

Net Assets of Governmental Activities \$38,354,895

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, 2005

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,015,794	\$682,480	\$86,830	\$4,785,104
Income Tax	2,256,936	0	0	2,256,936
Intergovernmental	12,019,105	79,690	1,421,440	13,520,235
Interest	116,229	5,739	37,908	159,876
Tuition and Fees	59,808	0	90,789	150,597
Extracurricular Activities	0	0	117,553	117,553
Rentals	17,363	0	0	17,363
Customer Sales and Service	0	0	424,770	424,770
Contributions and Donations	0	0	816	816
Miscellaneous	333,409	0	151,140	484,549
<i>Total Revenues</i>	<u>18,818,644</u>	<u>767,909</u>	<u>2,331,246</u>	<u>21,917,799</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,158,585	0	459,074	8,617,659
Special	1,193,990	0	654,731	1,848,721
Vocational	159,871	0	6,569	166,440
Support Services:				
Pupils	1,239,207	0	200,139	1,439,346
Instructional Staff	1,530,400	0	101,585	1,631,985
Board of Education	35,729	0	0	35,729
Administration	1,369,519	0	31,875	1,401,394
Fiscal	533,713	12,033	1,540	547,286
Business	12,458	0	0	12,458
Operation and Maintenance of Plant	2,068,600	0	133,372	2,201,972
Pupil Transportation	2,058,644	0	0	2,058,644
Operation of Non-Instructional Services:				
Food Service Operations	0	0	767,847	767,847
Other	0	0	110,206	110,206
Extracurricular Activities	191,174	0	138,529	329,703
Capital Outlay	0	0	910,092	910,092
Debt Service:				
Principal Retirement	295,176	260,000	0	555,176
Interest and Fiscal Charges	157,366	339,480	0	496,846
<i>Total Expenditures</i>	<u>19,004,432</u>	<u>611,513</u>	<u>3,515,559</u>	<u>23,131,504</u>
Excess of Revenues Over (Under) Expenditures	<u>(185,788)</u>	<u>156,396</u>	<u>(1,184,313)</u>	<u>(1,213,705)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	367,503	0	0	367,503
Transfers Out	0	0	(367,503)	(367,503)
<i>Total Other Financing Sources (Uses)</i>	<u>367,503</u>	<u>0</u>	<u>(367,503)</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	181,715	156,396	(1,551,816)	(1,213,705)
Special Item	0	0	(1,405,303)	(1,405,303)
<i>Net Change in Fund Balances</i>	181,715	156,396	(2,957,119)	(2,619,008)
<i>Fund Balances Beginning of Year</i>	<u>3,333,906</u>	<u>725,095</u>	<u>3,606,614</u>	<u>7,665,615</u>
<i>Fund Balances End of Year</i>	<u>\$3,515,621</u>	<u>\$881,491</u>	<u>\$649,495</u>	<u>\$5,046,607</u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds (\$2,619,008)

*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	1,104,317	
Depreciation expense	(2,021,134)	
Excess of capital outlay over depreciation expense		(916,817)

The cost of capital assets are removed from the capital assets account in the statement of net assets resulting in a loss on the sale of capital assets in the statement of activities.

Loss on disposal of capital assets		(139,983)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(181,535)	
Income taxes	17,656	
Intergovernmental	(7,797)	
Interest	1,547	
		(170,129)

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	320,000	
Certificates of participation payments	120,000	
Capital lease payments	115,176	
Total long-term debt repayment		555,176

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the statement of activities is the result of the following:

Decrease in accrued interest payable		11,718
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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	(54,169)	
Decrease in intergovernmental payable	284,858	
Total (increase)/decrease		230,689

Change in Net Assets of Governmental Activities (\$3,048,354)

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, 2005

	<u>Budget Amounts</u>		Actual	Variance With Final Budget Under
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,939,805	\$3,814,292	\$3,814,292	\$0
Income Tax	2,149,823	2,191,633	2,191,633	0
Intergovernmental	11,455,196	12,019,105	12,019,105	0
Interest	85,000	80,291	80,291	0
Tuition and Fees	75,000	47,844	47,844	0
Rent	17,000	17,363	17,363	0
Miscellaneous	414,500	327,105	327,105	0
Total Revenues	18,136,324	18,497,633	18,497,633	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,377,855	8,983,869	8,402,871	580,998
Special	1,232,025	1,417,099	1,198,072	219,027
Vocational	163,328	169,545	153,700	15,845
Support Services:				
Pupils	1,059,853	1,253,705	1,182,551	71,154
Instructional Staff	1,780,884	1,831,561	1,789,204	42,357
Board of Education	41,500	39,972	36,636	3,336
Administration	1,350,915	1,477,122	1,412,940	64,182
Fiscal	557,640	621,813	527,236	94,577
Business	26,000	29,000	12,458	16,542
Operation and Maintenance of Plant	2,347,596	2,500,134	2,157,624	342,510
Pupil Transportation	1,820,000	2,059,983	2,059,983	0
Operation of Non-Instructional				
Services	688	688	0	688
Extracurricular Activities	303,889	485,385	190,945	294,440
Debt Service:				
Principal Retirement	247,000	252,000	252,000	0
Interest and Fiscal Charges	162,687	163,022	146,793	16,229
Total Expenditures	19,471,860	21,284,898	19,523,013	1,761,885
Excess of Revenues Over (Under) Expenditures	(1,335,536)	(2,787,265)	(1,025,380)	1,761,885
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	5,000	2,958	2,958	0
Refund of Prior Year Expenditures	1,000	77	77	0
Transfers In	710,000	367,503	367,503	0
Transfers Out	(10,000)	0	0	0
Total Other Financing Sources (Uses)	706,000	370,538	370,538	0
Net Change in Fund Balance	(629,536)	(2,416,727)	(654,842)	1,761,885
Fund Balances at Beginning of Year	3,318,314	3,318,314	3,318,314	0
Prior Year Encumbrances Appropriated	789,758	789,758	789,758	0
Fund Balances at End of Year	\$3,478,536	\$1,691,345	\$3,453,230	\$1,761,885

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$20,570	<u>\$46,308</u>
Liabilities		
Undistributed Monies	<u>0</u>	<u>\$46,308</u>
Net Assets		
Held in Trust for Scholarships	<u>\$20,570</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, 2005

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$9,200
Deductions	
Payments in Accordance with Trust Agreement	2,247
<i>Change in Net Assets</i>	6,953
<i>Net Assets Beginning of Year</i>	13,617
<i>Net Assets End of Year</i>	\$20,570

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 Pleasant Plain, Goshen Township, and Harlan Township.

Reporting Entity:

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 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.

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 U.S. Bank. The balance in these accounts is presented on the financial statements as "Investments with Fiscal Agents".

During fiscal year 2005, the School District's investments consisted of Allegiant Government Money Market Mutual Fund, First American Treasury Obligation Money Market Mutual Fund, Milestone Treasury Money Market Mutual Fund, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Notes, Federal National Mortgage Association Discount Notes, repurchase agreements, and the State Treasury Asset Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

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, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2005 amounted to \$116,229, which includes \$50,882 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 expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 fiscal 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required by statute to be set aside by the School District to create reserves for textbooks and instructional materials and budget stabilization. See Note 20 for additional information regarding set-asides.

I. Capital Assets

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of 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, 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

J. Interfund Balances

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

K. 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 that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds, certificates of participation, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

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

M. 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.

N. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. Net Assets

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

The government-wide statement of net assets reports \$1,440,937 of restricted net assets, of which \$193,822 are restricted by enabling legislation.

P. 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.

Q. Special Item

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. See Note 21.

R. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that matched actual revenues for the fiscal year.

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, “Deposit and Investment Risk Disclosures”*, *GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”* and *GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers”*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2, addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing, multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District’s financial statements for fiscal year 2005.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2005, the following funds had deficit fund balances:

	<u>Amount</u>
Food Service	\$34,698
Title I	26,315
Title V	4,631
Title VI-B	21,689
Title VI-R	44,244
Summer School Subsidy	7,782

The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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.
5. The change in fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

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	\$181,715
Adjustments:	
Revenue Accruals	(272,644)
Expenditure Accruals	(70,083)
Encumbrances	(448,498)
Unrecorded Cash	(9,199)
Change in Fair Value of Investments	(36,133)
Budget Basis	(\$654,842)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2005, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$103,702	Average 33 Days
Allegiant Government Money Market Mutual Fund	34,202	Average 90 Days
First American Treasury Obligation Money Market Mutual Fund	1,556,481	Average 90 Days
Milestone Treasury Money Market Mutual Fund	1,292	Average 90 Days
Federal Home Loan Bank Notes	1,366,313	Less than one year
Federal Home Loan Mortgage Corporation Notes	591,375	Less than one year
Federal Home Loan Mortgage Corporation Discount Notes	1,376,878	Less than one year
Federal National Mortgage Association Notes	248,281	Less than one year
Federal National Mortgage Association Discount Notes	1,789,408	Less than one year
Repurchase Agreements	68,825	Less than two years
Total Investments	<u><u>\$7,136,757</u></u>	

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk

STAROhio and the Allegiant Government Money Market Mutual Fund both carry ratings of AAA by Standard and Poor's. The First American Treasury Obligation Money Market Mutual Fund and the Milestone Treasury Money Market Mutual Fund both carry ratings of Aaa by Moody's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Discount Notes, and the Federal National Mortgage Association Notes and Discount Notes all carry ratings of Aaa by Moody's. The School District has no investment policy that would further limit its investment choices.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Discount Notes, and the Federal National Mortgage Association Notes and Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 19 percent is invested in Federal Home Loan Bank Notes, eight percent in Federal Home Loan Mortgage Corporation Notes, 19 percent in Federal Home Loan Mortgage Corporation Discount Notes, three percent in Federal National Mortgage Association Notes and 25 percent in Federal National Mortgage Association Discount Notes.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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, 2005, are available to finance fiscal year 2005 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, 2005, 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 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2005, was \$709,202 in the General Fund, \$124,046 in the Bond Retirement Fund, and \$15,607 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2004, was \$507,700 in the General Fund, \$87,800 in the Bond Retirement Fund, and \$11,100 in the Classroom Facilities 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$183,652,240	91.67%	\$179,729,880	92.79%
Public Utility	10,804,630	5.39%	9,830,760	5.08%
Tangible Personal Property	5,886,514	2.94%	4,133,391	2.13%
Total Assessed Value	<u>\$200,343,384</u>	<u>100.00%</u>	<u>\$193,694,031</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.40		\$30.40	

NOTE 8 - INCOME TAX

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

NOTE 9 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, income taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full and will be received within one year.

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Title I	\$79,652
Title II-A	69,468
Title V Innovative Programs	4,631
Title VI-B Special Education	86,860
Miscellaneous Federal Grants	87
Student Reading Intervention	<u>13,680</u>
Total Intergovernmental Receivables	<u><u>\$254,378</u></u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Ending Balance 6/30/2004	Additions	Deletions	Ending Balance 6/30/2005
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$861,560	\$0	\$0	\$861,560
Construction in Progress	1,099,359	910,092	(2,009,451)	0
Total Capital Assets, Not Being Depreciated	<u>1,960,919</u>	<u>910,092</u>	<u>(2,009,451)</u>	<u>861,560</u>
Capital Assets Being Depreciated				
Land Improvements	2,571,015	750,498	0	3,321,513
Buildings and Improvements	45,113,133	1,304,874	0	46,418,007
Furniture and Equipment	3,853,308	26,877	(139,983)	4,020,168
Vehicles	149,777	10,995	0	160,772
Books and Educational Media	662,498	110,432	0	772,930
Total Capital Assets, Being Depreciated	<u>52,349,731</u>	<u>2,203,676</u>	<u>(139,983)</u>	<u>54,413,424</u>
Less Accumulated Depreciation:				
Land Improvements	(680,021)	(107,686)	0	(787,707)
Buildings and Improvements	(6,661,239)	(1,449,420)	0	(8,110,659)
Furniture and Equipment	(1,793,858)	(340,195)	0	(2,134,053)
Vehicles	(139,012)	(5,869)	0	(144,881)
Books and Educational Media	(295,706)	(117,964)	0	(413,670)
Total Accumulated Depreciation	<u>(9,569,836)</u>	<u>(2,021,134)*</u>	<u>0</u>	<u>(11,590,970)</u>
Total Capital Assets Being Depreciated, Net	<u>42,779,895</u>	<u>182,542</u>	<u>(139,983)</u>	<u>42,822,454</u>
Governmental Activities Capital Assets, Net	<u>\$44,740,814</u>	<u>\$1,092,634</u>	<u>(\$2,149,434)</u>	<u>\$43,684,014</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 – CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,003,857
Special	161,815
Vocational	15,314
Support Services:	
Pupils	198,114
Instructional Staff	169,255
Board of Education	5,489
Administration	85,173
Fiscal	29,273
Operation and Maintenance of Plant	93,173
Pupil Transportation	7,191
Central	2,360
Operation of Non-Instruction Services:	
Food Service Operations	156,128
Other	2,239
Extracurricular Activities	91,753
Total Depreciation Expense	\$2,021,134

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, 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	\$1,000,000 / 3,000,000
Building and Contents-replacement cost (\$2,500 deductible)	56,783,700
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an 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 19)

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - RISK MANAGEMENT (Continued)

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

General Liability:	
Aggregate Limit	\$3,000,000
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Medical Expense Limit - Per Person/Accident	10,000
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 (\$2,500 deductible)	1,000,000
Errors and Omissions Aggregate Limit	2,000,000
Employment Practices Injury Limit (\$2,500 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 fiscal years. There has been no significant reduction in coverage from last fiscal year.

NOTE 11 - RISK MANAGEMENT (Continued)

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003 were \$332,941, \$199,287, and \$256,167, respectively; 46.45 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003.

NOTE 12 - 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, 2005, 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 2004, 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, 2005

NOTE 12 - 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, 2005, 2004, and 2003 were \$1,150,480, \$985,367, and \$1,094,079, respectively; 81.57 percent has been contributed for fiscal year 2005 and 100 percent for fiscal year 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$14,764 made by the School District and \$29,744 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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

All 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, 2005, 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 \$88,498 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$150,091.

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, 2005 were \$178,221,113 and the target level was \$367.3 million. At June 30, 2005 SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Benefits

For fiscal year 2005, the School District participated in the Clermont County Insurance Consortium (the Consortium), an insurance purchasing pool (Note 19), in order to provide dental, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Consortium provides insurance policies in whole or in part through one or more group insurance policies.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2002, the District 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 need to be in approximately \$100,000 increments. The School District will make semi-annual lease payments to National City Bank. The interest rate is fixed at 4.83%. The lease is renewable annually and expires in 2012. The intention of the School District is to renew the lease annually.

At fiscal year-end, capital assets that were constructed under this lease have been capitalized as buildings and building improvements on the statement of net assets for governmental activities. Principal payments of \$72,000 were made during fiscal year 2005. The principal amount owed on the leases at fiscal year-end is \$609,000.

In prior years, the School District entered into a capitalized lease for the acquisition of computer equipment and copiers. 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 \$14,369, \$19,488, and \$9,319 were made during fiscal year 2005.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Computer Equipment	\$619,467	\$501,528	\$117,939
Copier Equipment	132,113	96,533	35,580
Land Improvements	351,400	105,420	245,980
Playground Equipment	229,679	68,904	160,776
Totals	\$1,332,659	\$772,385	\$560,275

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005:

Fiscal Year Ending June 30,	Total Payments
2006	\$393,557
2007	246,158
2008	104,166
2009	102,719
2010	103,356
2011-2015	206,559
Total Minimum Lease Payments	1,156,515
Less: Amount Representing Interest	(134,965)
Present Value of Net Minimum Lease Payments	\$1,021,550

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due in One Year
<u>Governmental Activities:</u>					
2002 Energy Conservation Notes 2.05%	\$60,000	\$0	\$60,000	\$0	\$0
2000 School Improvement General Obligation Bonds 4.4%-6.25%	6,105,000	0	260,000	5,845,000	280,000
2002 Certificates of Participation 2.5%-5.00%	2,835,000	0	120,000	2,715,000	125,000
Compensated Absences	1,136,655	133,889	79,720	1,190,824	38,661
Capital Leases	1,136,726	0	115,176	1,021,550	350,654
Total Governmental Activities Long-Term Obligations	\$11,273,381	\$133,889	\$634,896	\$10,772,374	\$794,315

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.

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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

On February 14, 2002, the School District entered a lease agreement with PS&W Holding Company for a construction and renovation project. 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 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.

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

The School District's overall legal debt margin was \$12,468,954 and the unvoted debt margin of \$193,694 at June 30, 2005.

Principal and interest requirements to retire bonds and certificates of participation outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	<u>2000 School Improvement Bonds</u>		<u>2002 Certificates of Participation</u>	
	Principal	Interest	Principal	Interest
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	175,000	267,770	140,000	99,480
2011-2015	1,150,000	1,167,904	810,000	397,248
2016-2020	1,870,000	718,055	1,010,000	186,408
2021-2023	1,560,000	136,360	235,000	5,875
	<u>\$5,845,000</u>	<u>\$3,473,713</u>	<u>\$2,715,000</u>	<u>\$1,139,422</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 17 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2005, were as follows:

		Transfer To			
Transfer From	Other Governmental Funds	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">General</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black;">\$367,503</td> </tr> <tr> <td style="text-align: center; border-top: 3px double black;">\$367,503</td> </tr> </table>	General	\$367,503	\$367,503
General					
\$367,503					
\$367,503					

Transfers were made between the General Fund and the Construction Fund in accordance with guidelines established by the Ohio School Facilities Commission in relation to the building projects.

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable			
Payable	Other Governmental Funds	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">General</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black;">\$139,359</td> </tr> <tr> <td style="text-align: center; border-top: 3px double black;">\$139,359</td> </tr> </table>	General	\$139,359	\$139,359
General					
\$139,359					
\$139,359					

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

NOTE 18 - 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.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 \$21,424 for services provided during the fiscal 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 19 - 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.

NOTE 19 - INSURANCE PURCHASING POOLS (Continued)

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.

NOTE 20 - SET-ASIDE CALCULATIONS

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

The School District is no longer required to set aside funds 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 20 - SET-ASIDE CALCULATIONS (Continued)

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 Acquisitions	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2004	\$43,598	\$0	\$2,132
Current Year Set-aside Requirement	342,548	342,548	0
Qualifying Disbursements	(355,477)	0	0
Current Year Offsets	0	(727,181)	0
Totals	<u>\$30,669</u>	<u>(\$384,633)</u>	<u>\$2,132</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$30,669</u>	<u>\$0</u>	<u>\$2,132</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$30,669</u>	<u>\$0</u>	<u>\$2,132</u>

Although the School District had offsets and qualifying disbursements during the fiscal 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 fiscal years and is therefore not presented as being carried forward to the next fiscal year.

NOTE 21 – SPECIAL ITEM

As a result of the completion of the School District’s new high school building, constructed through the Ohio School Facilities Commission Classroom Facilities Assistance Program, the School District had unexpended monies in the amount of \$1,405,303 that had to be returned to the Ohio School Facilities Commission. This was reported as a special item on the government-wide statement of activities.

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, 2005.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 22 – CONTINGENCIES (Continued)

B. Litigation

The School District is not a party to legal proceedings.

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**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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	\$59,670	\$0	\$59,670
National School Lunch Program	LL-P4-04 LL-P4-05	10.555 10.555	69,297 184,505		69,297 184,505	
Total U.S. Department of Agriculture - Nutrition Cluster			253,802	59,670	253,802	59,670
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-04 6B-SF-05	84.027 84.027	27,075 462,280		31,062 483,969	
Total Special Education Cluster			489,355	0	515,031	0
Title I Grants to Local Educational Agencies	C1-S1-04/05	84.010	192,154		240,837	
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-04/05	84.186	10,620		12,271	
Innovative Educational Program Strategies	C2-S1-05	84.298	6,456		11,087	
Improving Teacher Quality	TR-S1-04/05	84.367	69,038		139,619	
Technology Literacy Challenge Grant	TJ-S1-05	84.318	6,451		3,036	
Total Department of Education			774,074	0	921,881	0
Totals			\$1,027,876	\$59,670	\$1,175,683	\$59,670

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

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary 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.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goshen Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 6, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

June 6, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Goshen Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Goshen Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

June 6, 2006

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: CFDA #10.550 & #10.555 Improving Teacher Quality: CFDA #84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

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GOSHEN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 29, 2006**