



Mary Taylor, CPA
Auditor of State

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Goshen Local School District
Clermont County
6694 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, 2006, 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, 2006, 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 12, 2007, 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 12, 2007

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As management of the Goshen Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The assets of the Goshen Local School District exceeded its liabilities at June 30, 2006 by \$38,061,223. Of this amount, \$2,820,093 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 \$293,672 during this fiscal year's operations.
- General revenues accounted for \$20,312,784 or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$3,611,602 or 15 percent of total revenues of \$23,924,386.
- The School District had \$24,218,058 in expenses related to governmental activities; only \$3,611,602 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 provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other 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, 2006
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2006?” 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 fiscal year’s revenues and expenses, regardless of when cash is received or paid.

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

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

Goshen Local School District
Management's Discussion and Analysis
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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 fiscal years 2006 and 2005:

	(Table 1)		
	Net Assets		
	2006	2005	Change
Assets			
Current and Other Assets	\$13,545,188	\$11,935,630	\$1,609,558
Capital Assets	42,011,792	43,684,014	(1,672,222)
Total Assets	55,556,980	55,619,644	(62,664)
Liabilities			
Long-Term Liabilities	10,173,144	10,772,374	(599,230)
Other Liabilities	7,322,613	6,492,375	830,238
Total Liabilities	17,495,757	17,264,749	231,008
Net Assets			
Invested in Capital Assets, Net of Related Debt	32,937,110	34,102,464	(1,165,354)
Restricted	2,304,020	1,773,688	530,332
Unrestricted	2,820,093	2,478,743	341,350
Total Net Assets	\$38,061,223	\$38,354,895	(\$293,672)

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Net assets decreased by \$293,672. This was due to the following factors. Capital assets added during the fiscal year of \$310,440 were not enough to offset depreciation expense for the fiscal year of \$1,982,662. Capital assets are used to provide services to students and do not represent assets that may be used for future spending. Restricted net assets increased by \$530,332 due mainly to increases in operating grants and contributions. The School District had an increase in the Title VI-B grant of \$129,951 due to additional allocations being awarded to the School District. Also, Federal and State subsidies in the Food Service Special Revenue Fund increased \$78,858 during fiscal year 2006. In addition, the School District adjusted its inside millage to begin collecting property taxes in the second half of fiscal year 2007 for permanent improvements. While this did not affect the School District's property tax rate, it did increase property taxes receivable at June 30, 2006.

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

	2006	2005	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$954,620	\$710,283	\$244,337
Operating Grants and Contributions	2,629,974	2,366,695	263,279
Capital Grants and Contributions	27,008	0	27,008
Total Program Revenues	<u>3,611,602</u>	<u>3,076,978</u>	<u>\$534,624</u>
General Revenues:			
Property Taxes	5,663,947	4,603,569	1,060,378
Municipal Income Tax	2,594,791	2,274,592	320,199
Grants and Entitlements not			
Restricted to Specific Programs	11,233,451	11,146,122	87,329
Gifts and Donations	0	816	(816)
Investment Earnings	226,499	161,044	65,455
Miscellaneous	594,096	484,549	109,547
Total General Revenues	<u>20,312,784</u>	<u>18,670,692</u>	<u>1,642,092</u>
Total Revenues	<u>\$23,924,386</u>	<u>\$21,747,670</u>	<u>\$2,176,716</u>

(continued)

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

(Table 2)
Change in Net Assets
(Continued)

	2006	2005	Change
Program Expenses			
Instruction:			
Regular	\$9,656,681	\$9,567,700	\$88,981
Special	1,825,626	1,997,903	(172,277)
Vocational	186,343	185,233	1,110
Student Intervention Services	28,555	0	28,555
Support Services:			
Pupils	1,615,737	1,594,332	21,405
Instructional Staff	2,248,288	1,799,622	448,666
Board of Education	48,593	41,218	7,375
Administration	1,517,536	1,470,270	47,266
Fiscal	544,376	559,756	(15,380)
Business	6,902	12,458	(5,556)
Operation and Maintenance of Plant	2,490,130	2,262,629	227,501
Pupil Transportation	2,180,474	1,975,365	205,109
Central	1,587	2,360	(773)
Operation of Non-Instructional Services:			
Food Services	961,410	908,201	53,209
Other	112,053	112,445	(392)
Extracurricular Activities	438,310	416,101	22,209
Interest and Fiscal Charges	355,457	485,128	(129,671)
Total Expenses	<u>24,218,058</u>	<u>23,390,721</u>	<u>827,337</u>
Decrease in Net Assets Before Special Item	(293,672)	(1,643,051)	1,349,379
Special Item	0	(1,405,303)	1,405,303
Decrease in Net Assets	<u>(293,672)</u>	<u>(3,048,354)</u>	<u>2,754,682</u>
Net Assets at Beginning of Year	<u>38,354,895</u>	<u>41,403,249</u>	<u>(3,048,354)</u>
Net Assets at End of Year	<u><u>\$38,061,223</u></u>	<u><u>\$38,354,895</u></u>	<u><u>(\$293,672)</u></u>

Grants and entitlements and property taxes made up 47 and 24 percent, respectively, of revenues for governmental activities of the Goshen Local School District for fiscal year 2006.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

For the fiscal year 2006, the School District experienced a four percent increase in expenses with a ten percent increase in revenues. Instructional staff expenses increased \$448,666 over fiscal year 2006 due to increases in salaries and benefits and the hiring of additional aides for special education students. Operation and maintenance of plant expenses increased \$227,501 due to increases in salaries and benefits. The School District saw an increase in charges for services and sales of \$244,337 due mainly to an increase in tuition and fees revenue. Also, operating grants and contributions increased \$263,279 due to increases in Title VI-B grants revenues. Property taxes increased \$1,060,378 in fiscal year 2006 due to an increase in the School District's valuation. These increases however, did not surpass the increased expenses.

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

(Table 3)
 Governmental Activities

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
Instruction	\$11,697,205	\$11,750,836	(\$9,615,485)	(\$9,992,442)
Support Services	10,653,623	9,718,010	(10,162,482)	(9,336,094)
Operation of Non-				
Instructional Services	1,073,463	1,020,646	(152,941)	(201,531)
Extracurricular Activities	438,310	416,101	(320,091)	(298,548)
Interest and Fiscal Charges	355,457	485,128	(355,457)	(485,128)
Total Expenses	<u>\$24,218,058</u>	<u>\$23,390,721</u>	<u>(\$20,606,456)</u>	<u>(\$20,313,743)</u>

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,423,832 and expenditures of \$23,146,163. The net change in fund balance for the fiscal year in the General Fund was an increase of \$25,583. This was due to increased collections in property and income tax revenues along with increases in tuition and fees revenues. These increases, along with moderate increases in expenditures, contributed to the increase in fund balance. The Bond Retirement Fund saw an increase of \$218,618. This was due to revenues exceeding the principal and interests payments for the fiscal year.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 2006, 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 \$44,940 above the final budgeted amount in the General Fund.

For the General Fund, original budget basis revenues were \$19,008,490 with final budget estimates of \$19,578,798. The difference was due mainly to increased revenues from State foundation payments. Actual budget basis revenue was \$44,730 above final budget estimates.

Original budget basis expenditures were \$19,835,400, while final budgeted expenditures were \$20,361,577. The increase was due to increased instructional staff and operation and maintenance of plant expenditures. Actual expenditures were \$210 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, 2006, was \$42,011,792. 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 2006 balances compared to fiscal year 2005:

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

	2006	2005
Land	\$861,560	\$861,560
Land Improvements	2,431,444	2,533,806
Buildings and Improvements	36,861,662	38,307,348
Furniture and Equipment	1,605,053	1,606,149
Vehicles	10,779	15,891
Books and Educational Media	241,294	359,260
Totals	\$42,011,792	\$43,684,014

Net capital assets decreased \$1,672,222 from the prior fiscal year. This is due to depreciation expense for the fiscal year exceeding additions to capital assets.

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

Debt

At June 30, 2006 the School District had \$8,280,000 in bonds and certificates of participation outstanding, with \$575,000 due within one year. Table 5 summarizes bonds and certificates of participation outstanding:

(Table 5)
 Outstanding Debt, at Fiscal Year-end

	2006	2005
2000 School Improvement General		
Obligation Bonds 4.4%-6.25%	\$5,565,000	\$5,845,000
2002 Certificates of Participation 2.5%-5.0%	2,715,000	2,715,000
Totals	\$8,280,000	\$8,560,000

The School District's overall legal debt margin was \$13,518,835 and the unvoted debt margin of \$199,819 at June 30, 2006.

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. Ohio's core curriculum law for graduating students in future years will be a staffing problem for many school districts in the State. It is difficult for districts to find teachers certified in math, science, and foreign language. The new requirements will make it increasing difficult for all districts.

Goshen is also a community set for large growth. Providing services as well as housing all the students will be an issue in the near future. The School District does have a vision plan for the growth, it is the not knowing of the time it will be needed that makes it difficult.

Contacting the School District's Financial Management

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

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,067,311
Investments with Fiscal Agents	361,998
Materials and Supplies Inventory	7,875
Accrued Interest Receivable	963
Accounts Receivable	61,112
Intergovernmental Receivable	123,036
Prepaid Items	365
Property Taxes Receivable	6,719,275
Income Tax Receivable	1,203,253
Capital Assets:	
Land	861,560
Depreciable Capital Assets, Net	<u>41,150,232</u>
<i>Total Assets</i>	<u>55,556,980</u>
<u>Liabilities:</u>	
Accounts Payable	346,104
Accrued Wages and Benefits Payable	1,552,211
Intergovernmental Payable	511,609
Accrued Interest Payable	25,904
Matured Compensated Absences Payable	48,180
Deferred Revenue	4,838,605
Long-Term Liabilities:	
Due Within One Year	831,034
Due in More Than One Year	<u>9,342,110</u>
<i>Total Liabilities</i>	<u>17,495,757</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	32,937,110
Restricted for Debt Service	1,185,779
Restricted for Capital Outlay	196,005
Restricted for Other Purposes	593,227
Restricted for Classroom Facilities	279,354
Restricted for Set-Asides	49,655
Unrestricted	<u>2,820,093</u>
<i>Total Net Assets</i>	<u><u>\$38,061,223</u></u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$9,656,681	\$345,935	\$135,973	\$27,008
Special	1,825,626	0	1,502,224	0
Vocational	186,343	0	42,078	0
Student Intervention Services	28,555	0	28,502	0
Support Services:				
Pupils	1,615,737	0	232,920	0
Instructional Staff	2,248,288	0	85,072	0
Board of Education	48,593	0	0	0
Administration	1,517,536	0	28,986	0
Fiscal	544,376	0	0	0
Business	6,902	0	0	0
Operation and Maintenance of Plant	2,490,130	38,082	0	0
Pupil Transportation	2,180,474	0	106,081	0
Central	1,587	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	961,410	452,384	380,477	0
Other	112,053	0	87,661	0
Extracurricular Activities	438,310	118,219	0	0
Interest and Fiscal Charges	355,457	0	0	0
<i>Total Governmental Activities</i>	\$24,218,058	\$954,620	\$2,629,974	\$27,008

General Revenues:

Property Taxes Levied for:
General Purposes
Debt Service
Capital Outlay
Municipal Income Tax
Grants and Entitlements not
Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets
Total
Governmental Activities
(\$9,147,765)
(323,402)
(144,265)
(53)
(1,382,817)
(2,163,216)
(48,593)
(1,488,550)
(544,376)
(6,902)
(2,452,048)
(2,074,393)
(1,587)
(128,549)
(24,392)
(320,091)
(355,457)
<u>(20,606,456)</u>
4,757,013
811,856
95,078
2,594,791
11,233,451
226,499
594,096
<u>20,312,784</u>
(293,672)
<u>38,354,895</u>
<u><u>\$38,061,223</u></u>

GOSHEN LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2006

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,320,851	\$682,816	\$681,238	\$4,684,905
Investments with Fiscal Agents	0	255,238	106,760	361,998
Receivables:				
Property Taxes	5,256,494	826,573	636,208	6,719,275
Income Tax	1,203,253	0	0	1,203,253
Accounts	61,000	0	112	61,112
Intergovernmental	0	0	123,036	123,036
Accrued Interest	963	0	0	963
Interfund	79,623	0	0	79,623
Prepaid Items	365	0	0	365
Materials and Supplies Inventory	0	0	7,875	7,875
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	382,406	0	0	382,406
Total Assets	\$10,304,955	\$1,764,627	\$1,555,229	\$13,624,811
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable	\$342,570	\$0	\$3,534	\$346,104
Accrued Wages and Benefits Payable	1,412,399	0	139,812	1,552,211
Intergovernmental Payable	480,120	0	31,489	511,609
Matured Compensated Absences Payable	48,180	0	0	48,180
Deferred Revenue	4,480,482	664,518	617,808	5,762,808
Interfund Payable	0	0	79,623	79,623
Total Liabilities	6,763,751	664,518	872,266	8,300,535
<u>Fund Balances:</u>				
Reserved for Encumbrances	257,159	0	51,470	308,629
Reserved for Property Taxes	929,930	162,055	18,400	1,110,385
Reserved for Textbooks and Instructional Materials	47,523	0	0	47,523
Reserved for Budget Stabilization	2,132	0	0	2,132
Unreserved, Designated for Budget Stabilization	332,751	0	0	332,751
Unreserved, Undesignated, Reported in:				
General Fund	1,971,709	0	0	1,971,709
Special Revenue Funds	0	0	417,088	417,088
Debt Service Fund	0	938,054	0	938,054
Capital Projects Funds	0	0	196,005	196,005
Total Fund Balances	3,541,204	1,100,109	682,963	5,324,276
Total Liabilities and Fund Balances	\$10,304,955	\$1,764,627	\$1,555,229	\$13,624,811

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, 2006

Total Governmental Fund Balances \$5,324,276

*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	54,723,864	
Accumulated depreciation	(13,573,632)	
Total capital assets		42,011,792

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	770,285	
Income taxes	153,918	
		924,203

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	(5,565,000)	
Certificates of participation	(2,715,000)	
Accrued interest on bonds	(25,904)	
Capital leases	(794,682)	
Compensated absences	(1,098,462)	
Total liabilities		(10,199,048)

Net Assets of Governmental Activities \$38,061,223

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, 2006

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,303,539	\$732,507	\$86,523	\$5,122,569
Income Tax	2,586,189	0	0	2,586,189
Intergovernmental	12,181,137	86,870	1,663,325	13,931,332
Interest	230,206	154	4,666	235,026
Tuition and Fees	257,818	0	88,117	345,935
Extracurricular Activities	0	0	118,219	118,219
Rent	38,082	0	0	38,082
Customer Sales and Service	0	0	452,384	452,384
Miscellaneous	460,013	0	134,083	594,096
<i>Total Revenues</i>	<u>20,056,984</u>	<u>819,531</u>	<u>2,547,317</u>	<u>23,423,832</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,671,592	0	274,456	8,946,048
Special	1,162,515	0	506,461	1,668,976
Vocational	165,288	0	6,477	171,765
Student Intervention Services	0	0	28,555	28,555
Support Services:				
Pupils	1,186,858	0	257,660	1,444,518
Instructional Staff	2,015,474	0	71,292	2,086,766
Board of Education	44,797	0	0	44,797
Administration	1,453,782	0	26,437	1,480,219
Fiscal	505,605	12,491	1,507	519,603
Business	6,902	0	0	6,902
Operation and Maintenance of Plant	2,258,996	0	137,695	2,396,691
Pupil Transportation	2,174,540	0	0	2,174,540
Operation of Non-Instructional Services:				
Food Service Operations	0	0	844,336	844,336
Other	47,692	0	64,361	112,053
Extracurricular Activities	195,934	0	161,038	356,972
Debt Service:				
Principal Retirement	226,868	280,000	0	506,868
Interest and Fiscal Charges	48,132	308,422	0	356,554
<i>Total Expenditures</i>	<u>20,164,975</u>	<u>600,913</u>	<u>2,380,275</u>	<u>23,146,163</u>
Excess of Revenues Over (Under) Expenditures	<u>(107,991)</u>	<u>218,618</u>	<u>167,042</u>	<u>277,669</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	133,574	0	0	133,574
Transfers Out	0	0	(133,574)	(133,574)
<i>Total Other Financing Sources (Uses)</i>	<u>133,574</u>	<u>0</u>	<u>(133,574)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	25,583	218,618	33,468	277,669
<i>Fund Balances at Beginning of Year</i>	<u>3,515,621</u>	<u>881,491</u>	<u>649,495</u>	<u>5,046,607</u>
<i>Fund Balances at End of Year</i>	<u>\$3,541,204</u>	<u>\$1,100,109</u>	<u>\$682,963</u>	<u>\$5,324,276</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, 2006

Net Change in Fund Balances - Total Governmental Funds \$277,669

*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	310,440	
Depreciation expense	(1,982,662)	
Excess of capital outlay over depreciation expense	(1,672,222)	(1,672,222)

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	541,378	
Income taxes	8,602	
Intergovernmental	(42,057)	
Interest	(7,369)	
	500,554	500,554

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 fiscal year, these amounts consist of:

Bond payments	280,000	
Capital lease payments	226,868	
Total long-term debt repayment	506,868	506,868

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. Interest expense on the statement of activities differs from interest expense on the statement of revenues, expenditures and changes in fund balances as a result of the following:

Decrease in accrued interest payable	1,097
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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:

Decrease in compensated absences payable	92,362
--	--------

Change in Net Assets of Governmental Activities (\$293,672)

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, 2006

	Budget Amounts		Actual	Variance With
	Original	Final		Final Budget Under
<u>Revenues:</u>				
Property Taxes	\$4,134,428	\$4,082,811	\$4,082,811	\$0
Income Tax	2,313,890	2,410,640	2,410,640	0
Intergovernmental	11,692,252	12,181,137	12,181,137	0
Interest	166,113	173,059	217,789	44,730
Tuition and Fees	251,744	262,270	262,270	0
Rent	36,554	38,082	38,082	0
Miscellaneous	413,509	430,799	430,799	0
<i>Total Revenues</i>	<u>19,008,490</u>	<u>19,578,798</u>	<u>19,623,528</u>	<u>44,730</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,845,317	8,729,415	8,729,415	0
Special	1,226,086	1,183,882	1,183,882	0
Vocational	173,946	170,201	170,201	0
Support Services:				
Pupils	1,241,606	1,251,238	1,251,238	0
Instructional Staff	1,720,096	2,187,502	2,187,502	0
Board of Education	41,500	44,030	44,030	0
Administration	1,441,128	1,470,710	1,470,500	210
Fiscal	535,201	538,160	538,160	0
Business	4,000	6,902	6,902	0
Operation and Maintenance of Plant	1,930,344	2,308,481	2,308,481	0
Pupil Transportation	1,975,000	2,123,573	2,123,573	0
Operation of Non-Instructional Services				
		47,692	47,692	0
Extracurricular Activities	305,000	196,160	196,160	0
Debt Service:				
Principal Retirement	247,000	75,000	75,000	0
Interest and Fiscal Charges	149,175	28,631	28,631	0
<i>Total Expenditures</i>	<u>19,835,400</u>	<u>20,361,577</u>	<u>20,361,367</u>	<u>210</u>
Excess of Revenues Under Expenditures	<u>(826,910)</u>	<u>(782,779)</u>	<u>(737,839)</u>	<u>44,940</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	0	300	300	0
Transfers In	133,574	133,574	133,574	0
Transfers Out	(397,994)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(264,420)</u>	<u>133,874</u>	<u>133,874</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,091,329)	(648,905)	(603,965)	44,940
<i>Fund Balance at Beginning of Year</i>	3,453,230	3,453,230	3,453,230	0
<i>Prior Year Encumbrances Appropriated</i>	<u>448,498</u>	<u>448,498</u>	<u>448,498</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,810,399</u>	<u>\$3,252,823</u>	<u>\$3,297,763</u>	<u>\$44,940</u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$22,586	<u>\$36,930</u>
<u>Liabilities:</u>		
Undistributed Monies	<u>0</u>	<u>\$36,930</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$22,586</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, 2006

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Gifts and Contributions	\$9,300
<u>Deductions:</u>	
Payments in Accordance with Trust Agreement	7,284
<i>Change in Net Assets</i>	2,016
<i>Net Assets Beginning of Year</i>	20,570
<i>Net Assets End of Year</i>	\$22,586

See accompanying notes to the basic financial statements

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 the Village of Pleasant Plain and Goshen and Harlan Townships.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to 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 government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements:

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

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 of 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

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

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

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 2006, the School District's investments consisted of the State Treasury Asset Reserve of Ohio (STAROhio), First American Treasury Obligation Money Market Mutual Fund, First American Government Obligation Money Market Mutual Fund, Milestone Treasury Money Market Mutual Fund, Federal Home Loan Bank Notes, Federal Home Loan Bank Discount Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, and Repurchase Agreements. 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. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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, 2006.

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 2006 amounted to \$230,206, which includes \$62,616 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 food held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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 nature or 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, 2006

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 on 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 Designations

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The designations represent monies set aside by the Board for future use in the event the School District incurs unanticipated costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves

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

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

P. 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.

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 \$2,304,020 of restricted net assets, none of which are restricted by enabling legislation.

Q. Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the 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 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the School District has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*, and *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2006.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2006.

NOTE 4 - ACCOUNTABILITY

At June 30, 2006, the Food Service Fund had a deficit fund balance in the amount of \$79,623. The deficit in this fund was 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.

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance
GAAP Basis	\$25,583
Adjustments:	
Revenue Accruals	(454,540)
Expenditure Accruals	272,480
Encumbrances	(468,872)
Net Decrease in Fair Value of Investments -	
Fiscal Year 2005	5,139
Net Increase in Fair Value of Investments -	
Fiscal Year 2006	16,245
Budget Basis	(\$603,965)

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.

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

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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 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, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2006, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$108,004	Average 33 Days
First American Treasury Obligation Money Market Mutual Fund	259,920	Less than one year
First American Government Obligation Money Market Mutual Fund	38,127	Less than one year
Milestone Treasury Money Market Mutual Fund	1,048,135	Average 90 Days
Federal Home Loan Bank Notes	398,876	Less than two years
Federal Home Loan Bank Discount Notes	528,622	Less than one year
Federal Home Loan Mortgage Corporation Discount Notes	1,157,018	Less than one year
Federal National Mortgage Association Discount Notes	2,057,931	Less than one year
Repurchase Agreements	68,633	Less than two years
Total Investments	<u><u>\$5,665,266</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 carries a rating of AAA by Standard and Poor's. The First American Treasury Obligation Money Market Mutual Fund, First American Government Obligation Money Market Mutual Fund, and Milestone Treasury Money Market Mutual Fund all 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 and Discount Notes, Federal Home Loan Mortgage Corporation Discount Notes, and the Federal National Mortgage Association Discount Notes all carry ratings of Aaa by Moody's. The School District has no investment policy that addresses credit risk.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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 the Milestone Treasury Money Market Mutual Fund, seven percent is invested in Federal Home Loan Bank Notes, nine percent is invested in Federal Home Loan Bank Discount Notes, 20 percent is invested in Federal Home Loan Mortgage Corporation Discount Notes and 36 percent is invested 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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005, and are collected in 2006 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, 2006

NOTE 7 - PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. 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. This year, the June 2006 tangible personal property tax was not received until August 2006.

The School District receives property taxes from Clermont and Warren Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 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, 2006, 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 and the late personal property tax settlement were levied to finance current fiscal year operations and are 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, 2006, was \$929,930 in the General Fund, \$162,055 in the Bond Retirement Fund, and \$18,400 in the Classroom Facilities Fund. 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.

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, 2006

NOTE 7 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>2005 Second- Half Collections</u>		<u>2006 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$192,021,790	92.18%	\$191,040,190	92.05%
Public Utility	10,509,870	5.05%	10,893,950	5.25%
General Business Personal	5,788,868	2.77%	5,600,586	2.70%
Total Assessed Value	<u>\$208,320,528</u>	<u>100.00%</u>	<u>\$207,534,726</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, 2006, consisted of property taxes, income taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivable amounts, except delinquent property taxes, are expected to be received within one year.

Intergovernmental receivables consisted of the following:

	<u>Amounts</u>
Governmental Activities:	
Ohio Reads	\$1,219
IDEA-B	62,710
Special Education - Access	17,108
Special Education - Positive Behavior	771
Lunchroom Reimbursement	41,228
Total Intergovernmental Receivables	<u>\$123,036</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Ending Balance <u>6/30/2005</u>	Additions	Deletions	Ending Balance <u>6/30/2006</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$861,560	\$0	\$0	\$861,560
Capital Assets Being Depreciated:				
Land Improvements	3,321,513	5,461	0	3,326,974
Buildings and Improvements	46,418,007	0	0	46,418,007
Furniture and Equipment	3,740,202	304,979	0	4,045,181
Vehicles	160,772	0	0	160,772
Books and Educational Media	772,930	0	0	772,930
Total Capital Assets Being Depreciated	<u>54,413,424</u>	<u>310,440</u>	<u>0</u>	<u>54,723,864</u>
Less Accumulated Depreciation:				
Land Improvements	(787,707)	(107,823)	0	(895,530)
Buildings and Improvements	(8,110,659)	(1,445,686)	0	(9,556,345)
Furniture and Equipment	(2,134,053)	(306,075)	0	(2,440,128)
Vehicles	(144,881)	(5,112)	0	(149,993)
Books and Educational Media	(413,670)	(117,966)	0	(531,636)
Total Accumulated Depreciation	<u>(11,590,970)</u>	<u>(1,982,662) *</u>	<u>0</u>	<u>(13,573,632)</u>
Total Capital Assets Being Depreciated, Net	<u>42,822,454</u>	<u>(1,672,222)</u>	<u>0</u>	<u>41,150,232</u>
Governmental Activities Capital Assets, Net	<u>\$43,684,014</u>	<u>(\$1,672,222)</u>	<u>\$0</u>	<u>\$42,011,792</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 – CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$992,293
Special	153,403
Vocational	14,517
Support Services:	
Pupils	194,785
Instructional Staff	159,771
Board of Education	3,796
Administration	85,820
Fiscal	28,948
Operation and Maintenance of Plant	93,222
Pupil Transportation	5,934
Central	1,587
Operation of Non-Instruction Services:	
Food Service Operations	156,432
Extracurricular Activities	92,154
Total Depreciation Expense	\$1,982,662

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 2006, 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, 2006

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 2006, 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

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 2006, 10.58 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, 2006, 2005, and 2004 were \$280,121, \$332,941, and \$199,287, respectively; 43.61 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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 website 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2006, 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 2005, 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,101,882, \$1,150,480, and \$985,367, respectively; 83.35 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$17,637 made by the School District and \$33,763 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, 2006, three 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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in 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, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$84,760 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal 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 years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. 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 2006 fiscal year equaled \$147,561.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive 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 55.25 to 56.25 days.

B. Employee Benefits

For fiscal year 2006, 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, 2006

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2002, the School 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 percent. 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 land improvements and furniture and equipment on the statement of net assets for governmental activities. Principal payments of \$75,000 were made during fiscal year 2006. The principal amount owed on the lease at fiscal year-end is \$534,000.

In prior years, the School District entered into capitalized leases 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 totaled \$151,868 during fiscal year 2006.

The assets acquired through capital leases are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Computer Equipment	\$619,467	\$584,472	\$34,995
Copier Equipment	132,113	126,207	5,906
Land Improvements	351,400	140,560	210,840
Playground Equipment	229,679	91,872	137,807
Totals	<u>\$1,332,659</u>	<u>\$943,111</u>	<u>\$389,548</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006:

Fiscal Year Ending June 30,	Total Payments
2007	\$246,157
2008	240,014
2009	102,719
2010	103,356
2011	102,888
2012-2015	103,671
Total Minimum Lease Payments	898,805
Less: Amount Representing Interest	(104,123)
Present Value of Net Minimum Lease Payments	\$794,682

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Amount Outstanding 6/30/05	Additions	Deductions	Amount Outstanding 6/30/06	Amounts Due in One Year
Governmental Activities:					
2000 School Improvement General					
Obligation Bonds 4.4%-6.25%	\$5,845,000	\$0	\$280,000	\$5,565,000	\$320,000
2002 Certificates of Participation 2.5%-5.00%	2,715,000	0	0	2,715,000	255,000
Compensated Absences	1,190,824	31,635	123,997	1,098,462	47,122
Capital Leases	1,021,550	0	226,868	794,682	208,912
Total Governmental Activities					
Long-Term Obligations	\$10,772,374	\$31,635	\$630,865	\$10,173,144	\$831,034

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 percent and 6.25 percent 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, 2006

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, 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 \$13,518,835 with an unvoted debt margin of \$199,819 at June 30, 2006.

Principal and interest requirements to retire bonds and certificates of participation outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	<u>2000 School Improvement Bonds</u>		<u>2002 Certificates of Participation</u>		Total
	Principal	Interest	Principal	Interest	
2007	\$320,000	\$303,250	\$255,000	\$115,232	\$993,482
2008	345,000	287,370	130,000	110,390	872,760
2009	145,000	275,574	135,000	105,154	660,728
2010	175,000	267,770	140,000	99,480	682,250
2011	185,000	258,904	150,000	93,315	687,219
2012-2016	1,280,000	1,094,536	845,000	360,270	3,579,806
2017-2021	2,025,000	606,719	1,060,000	135,945	3,827,664
2022-2023	1,090,000	62,160	0	0	1,152,160
	<u>\$5,565,000</u>	<u>\$3,156,283</u>	<u>\$2,715,000</u>	<u>\$1,019,786</u>	<u>\$12,456,069</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 17 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2006, were as follows:

		Transfer To
Transfer From		General
	Other Governmental Funds	\$133,574
		\$133,574

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, 2006, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
Payable		General
	Other Governmental Funds	\$79,623
		\$79,623

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 \$75,172 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. 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 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 fiscal 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, 2006

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 and Instructional Materials	Capital Acquisitions	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2005	\$30,669	\$0	\$2,132
Current Year Set-aside Requirement	367,994	367,994	0
Qualifying Disbursements	(351,140)	0	0
Current Year Offsets	0	(781,368)	0
Totals	<u>\$47,523</u>	<u>(\$413,374)</u>	<u>\$2,132</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$47,523</u>	<u>\$0</u>	<u>\$2,132</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$47,523</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 - 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, 2006.

B. Litigation

The School District is not a party to legal proceedings.

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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:						
National School Breakfast	05-PU-05	10.553	\$ 7,651	\$0	\$ 7,651	\$0
	05-PU-06		<u>18,712</u>	<u>0</u>	<u>18,712</u>	<u>0</u>
			26,363	0	26,363	0
National School Lunch Program	LL-P4-05	10.555	67,673	0	67,673	0
	LL-P4-06		<u>211,934</u>	<u>0</u>	<u>211,934</u>	<u>0</u>
			279,607	0	279,607	0
Total Nutrition Cluster			<u>305,970</u>	<u>0</u>	<u>305,970</u>	<u>0</u>
Food Distribution Program		10.550	0	56,145	0	56,145
Total U.S. Department of Agriculture			<u>305,970</u>	<u>56,145</u>	<u>305,970</u>	<u>56,145</u>
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-05	84.027	70,932		54,914	
	6B-SF-06	84.027	546,797		485,846	
Special Education Grants to States (Access)	6B-SD-06	84.027	32,892		28,822	
Special Education Grants to States (Positive Behavior Support)	6B-PB-06	84.027	<u>14,229</u>		<u>7,849</u>	
Total Special Education Cluster			664,850	0	577,431	0
Title I Grants to Local Educational Agencies	C1-S1-05/06	84.010	316,791		277,707	
	C1-SN-05/06	84.010	<u>33,883</u>		<u>24,796</u>	
			350,674	0	302,503	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-05/06	84.186	10,633		10,749	
Innovative Educational Program Strategies	C2-S1-05/06	84.298	12,183		7,553	
Improving Teacher Quality	TR-S1-05/06	84.367	153,025		121,861	
Technology Literacy Challenge Grant	TJ-S1-06	84.318	4,328		7,742	
Total Department of Education			<u>1,195,693</u>	<u>0</u>	<u>1,027,839</u>	<u>0</u>
Totals			<u>\$1,501,663</u>	<u>\$56,145</u>	<u>\$1,333,809</u>	<u>\$56,145</u>

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, 2006**

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

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

NOTE C – FOOD DISTRIBUTION PROGRAM

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.

NOTE D - 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.



Mary Taylor, CPA

Auditor of State

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

Goshen Local School District
Clermont County
6694 Goshen 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, Clermont County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 12, 2007. 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 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 12, 2007, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 12, 2007



Mary Taylor, CPA

Auditor of State

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
6694 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, 2006. 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, the 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, 2006.

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.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated June 12, 2007.

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www.auditor.state.oh.us

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 12, 2007

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

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):	Child Nutrition Cluster: CFDA #10.553 & #10.555 Title I: CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

GOSHEN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2007**