



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, 2007, 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, 2007, 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 March 3, 2008, 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 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 and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 3, 2008

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the governmental financial statements and the notes to the financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The assets of the Goshen Local School District exceeded its liabilities at June 30, 2007 by \$36,087,594. Of this amount, \$1,931,766 may be used to meet the School District's ongoing financial obligations. The remaining amount represents capital assets net of related debt and net assets amounts restricted for specific purposes.
- The School District's net assets decreased by \$1,693,976 during this fiscal year's operations.
- General revenues accounted for \$19,323,401 or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$3,797,898 or 16 percent of total revenues of \$23,121,299.
- The School District had \$24,815,275 in expenses related to governmental activities; only \$3,797,898 of these expenses were offset by program specific charges for services and sales, grants and contributions.

Using the Basic Financial Statements

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

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

Goshen Local School District
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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 2007?” 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 7. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

Governmental Funds - Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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.

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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 2007 and 2006:

	(Table 1)		
	Net Assets		
	2007	2006 Restated	Change
	<u>2007</u>	<u>2006</u> <u>Restated</u>	<u>Change</u>
Assets			
Current and Other Assets	\$13,871,595	\$13,545,188	\$326,407
Capital Assets	41,136,457	42,011,792	(875,335)
Total Assets	<u>55,008,052</u>	<u>55,556,980</u>	<u>(548,928)</u>
Liabilities			
Long-Term Liabilities	9,668,372	10,452,797	(784,425)
Other Liabilities	9,252,086	7,322,613	1,929,473
Total Liabilities	<u>18,920,458</u>	<u>17,775,410</u>	<u>1,145,048</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	32,948,995	32,657,457	291,538
Restricted	1,206,833	2,304,020	(1,097,187)
Unrestricted	1,931,766	2,820,093	(888,327)
Total Net Assets	<u>\$36,087,594</u>	<u>\$37,781,570</u>	<u>(\$1,693,976)</u>

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Net assets decreased by \$1,693,976. This was due to the following factors. Capital assets added during the fiscal year of \$1,044,197 were not enough to offset depreciation expense for the fiscal year of \$1,919,532. Capital assets are used to provide services to students and do not represent assets that may be used for future spending. Restricted net assets decreased by \$1,097,187 due mainly to debt refinancing which reduced the amounts required to be maintained in the Restricted for Debt Service and other purposes. Unrestricted net assets decreased by \$888,327. This was due to an increase in accounts payable, intergovernmental payable, and contracts payable, without a corresponding increase in assets, causing negative restricted net assets. When restricted net assets are negative, the unrestricted balance of the School District must be used to cover these deficits. Also, contracts payable increased \$201,043 in fiscal year 2007 for bus service contracts through Petermann Bus.

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,210,725	\$991,304	\$219,421
Operating Grants and Contributions	2,587,173	2,629,974	(42,801)
Capital Grants and Contributions	0	27,008	(27,008)
Total Program Revenues	<u>3,797,898</u>	<u>3,648,286</u>	<u>\$149,612</u>
General Revenues:			
Property Taxes	4,609,510	5,122,569	(513,059)
Municipal Income Tax	2,880,080	2,594,791	285,289
Grants and Entitlements not			
Restricted to Specific Programs	11,303,874	11,233,451	70,423
Investment Earnings	301,432	226,499	74,933
Revenue in Lieu of Taxes	10,339	0	10,339
Miscellaneous	218,166	326,566	(108,400)
Total General Revenues	<u>19,323,401</u>	<u>19,503,876</u>	<u>(180,475)</u>
Total Revenues	<u>\$23,121,299</u>	<u>\$23,152,162</u>	<u>(\$30,863)</u>

(continued)

Goshen Local School District
Management's Discussion and Analysis
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(Table 2)
Change in Net Assets
(Continued)

	2007	2006	Change
Program Expenses			
Instruction:			
Regular	\$10,826,951	\$9,656,681	\$1,170,270
Special	1,877,894	1,825,626	52,268
Vocational	104,690	186,343	(81,653)
Student Intervention Services	28,555	28,555	0
Support Services:			
Pupils	1,662,468	1,615,737	46,731
Instructional Staff	2,489,590	2,248,288	241,302
Board of Education	64,308	48,593	15,715
Administration	1,273,253	1,517,536	(244,283)
Fiscal	597,744	544,376	53,368
Business	69,290	6,902	62,388
Operation and Maintenance of Plant	2,052,954	2,422,520	(369,566)
Pupil Transportation	1,681,938	2,017,238	(335,300)
Central	680	1,587	(907)
Operation of Non-Instructional Services:			
Food Service Operations	918,879	961,410	(42,531)
Other	242,064	112,053	130,011
Extracurricular Activities	471,811	438,310	33,501
Interest and Fiscal Charges	452,206	355,457	96,749
Total Expenses	<u>24,815,275</u>	<u>23,987,212</u>	<u>828,063</u>
Decrease in Net Assets	(1,693,976)	(835,050)	(858,926)
Net Assets at Beginning of Year (Restated)	<u>37,781,570</u>	<u>38,616,620</u>	<u>(835,050)</u>
Net Assets at End of Year	<u><u>\$36,087,594</u></u>	<u><u>\$37,781,570</u></u>	<u><u>(\$1,693,976)</u></u>

Grants and entitlements and property taxes made up 49 and 20 percent, respectively, of revenues for governmental activities of the Goshen Local School District for fiscal year 2007.

For the fiscal year 2007, the School District experienced a three percent increase in expenses with a less than one percent decrease in revenues. Regular instruction expenses increased \$1,170,270 over fiscal year 2007 due to salary increases, additional staff and aides needed, and grant dollars being spent. Instructional Staff expenses increased \$241,302 due to additional costs for the special education instruction. Operation and maintenance of plant expenses decreased \$369,566 due mainly to a reduction of three employees in the maintenance department. Pupil Transportation expenses decreased \$335,300 due to reimbursement from other school districts for transportation expenses that were used to offset the cost of bus service. The School District saw a slight increase in charges for services and sales in the amount of \$219,421 due to increases in tuition and fees. Also, more grant dollars were used for the staffing of aides and staff with the Clermont County Educational Service Center. These increases however, did not surpass the decrease in property tax revenue of \$513,059. This decrease was due to an increase in the collection of delinquencies in fiscal year 2007.

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Management's Discussion and Analysis
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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 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
Instruction	\$12,838,090	\$11,697,205	(\$10,809,260)	(\$9,615,485)
Support Services	9,892,225	10,653,623	(9,217,748)	(10,162,482)
Operation of Non- Instructional Services	1,160,943	1,073,463	(66,352)	(152,941)
Extracurricular Activities	471,811	438,310	(471,811)	(320,091)
Interest and Fiscal Charges	452,206	355,457	(452,206)	(355,457)
Total Expenses	\$24,815,275	\$24,218,058	(\$21,017,377)	(\$20,606,456)

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 \$23,612,205 and expenditures of \$24,851,585. The net change in fund balance for the fiscal year in the General Fund was a decrease of \$309,464. This was due to decreased collections in property tax revenue along with increases in regular instruction expenditures. The Permanent Improvement Fund saw a decrease of \$580,420. This was due mainly to increases in capital outlay and debt service expenditures.

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 2007, 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 \$473,756 above the final budgeted amount in the General Fund.

For the General Fund, original budget basis revenues were \$21,352,895 with final budget estimates of \$19,855,761. The difference was due mainly to decreased revenues from State funding. Actual budget basis revenue was \$473,756 above final budget estimates.

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Original budget basis expenditures were \$19,979,132, while final budgeted expenditures were \$20,889,314. The increase was due to increased regular instruction, operation and maintenance of plant, and pupil transportation expenditures. Actual expenditures were equal to final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

The Goshen Local School District's investment in capital assets as of June 30, 2007, was \$41,136,457. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and books and educational media. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

(Table 4)

Capital Assets at June 30
(Net of Depreciation)

	2007	2006
Land	\$861,560	\$861,560
Construction in Progress	992,311	0
Land Improvements	2,331,571	2,431,444
Buildings and Improvements	35,419,711	36,861,662
Furniture and Equipment	1,401,051	1,605,053
Vehicles	6,924	10,779
Books and Educational Media	123,329	241,294
Totals	\$41,136,457	\$42,011,792

Net capital assets decreased \$875,335 from the prior fiscal year. This is due to depreciation expense for the fiscal year exceeding additions to capital assets.

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

Debt

At June 30, 2007 the School District had \$7,781,647 in bonds and certificates of participation outstanding, with \$715,000 due within one year. Table 5 summarizes bonds and certificates of participation outstanding:

Goshen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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(Table 5)
 Outstanding Debt, at Fiscal Year-end

	<u>2007</u>	<u>2006</u>
2000 School Improvement General		
Obligation Bonds 4.4%-6.25%	\$2,470,000	\$5,565,000
Refunding Serial Bonds 4.00%	2,415,000	0
Refunding Capital Appreciation Bonds 12.24%	200,000	0
Premium on Debt Issue	267,136	0
Deferred Gain on Refunding	(203,168)	0
Accretion on Capital Appreciation Bonds	42,679	0
2002 Certificates of Participation 2.5%-5.0%	2,590,000	2,715,000
Totals	<u>\$7,781,647</u>	<u>\$8,280,000</u>

The School District's overall legal debt margin was \$17,526,863 and the unvoted debt margin of \$238,761 at June 30, 2007.

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 increasingly difficult for all districts.

Goshen is also a community set for large growth. Providing services as well as housing all of 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 that 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, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,065,552
Investments with Fiscal Agents	285,230
Inventory Held for Resale	5,511
Materials and Supplies Inventory	2,217
Accrued Interest Receivable	42,749
Accounts Receivable	36,524
Intergovernmental Receivable	74,312
Prepaid Items	383
Property Taxes Receivable	6,843,417
Income Tax Receivable	1,454,484
Deferred Charges	61,216
Capital Assets:	
Land	861,560
Construction in Progress	992,311
Depreciable Capital Assets, Net	39,282,586
<i>Total Assets</i>	<u>55,008,052</u>
<u>Liabilities:</u>	
Accounts Payable	136,641
Accrued Wages and Benefits Payable	1,609,565
Intergovernmental Payable	701,950
Accrued Interest Payable	27,179
Matured Compensated Absences Payable	44,676
Contracts Payable	675,041
Deferred Revenue	6,057,034
Long-Term Liabilities:	
Due Within One Year	921,096
Due in More Than One Year	8,747,276
<i>Total Liabilities</i>	<u>18,920,458</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	32,681,859
Restricted for Debt Service	1,125,427
Restricted for Other Purposes	141,037
Restricted for Classroom Facilities	205,373
Restricted for Set-Asides	2,132
Unrestricted	1,931,766
<i>Total Net Assets</i>	<u>\$36,087,594</u>

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,826,951	\$508,140	\$78,801	(\$10,240,010)
Special	1,877,894	52,787	1,336,822	(488,285)
Vocational	104,690	3,580	20,193	(80,917)
Student Intervention Services	28,555	0	28,507	(48)
Support Services:				
Pupils	1,662,468	0	288,716	(1,373,752)
Instructional Staff	2,489,590	0	157,282	(2,332,308)
Board of Education	64,308	0	0	(64,308)
Administration	1,273,253	0	36,580	(1,236,673)
Fiscal	597,744	0	0	(597,744)
Business	69,290	0	0	(69,290)
Operation and Maintenance of Plant	2,052,954	23,274	0	(2,029,680)
Pupil Transportation	1,681,938	54,832	113,793	(1,513,313)
Central	680	0	0	(680)
Operation of Non-Instructional Services:				
Food Service Operations	1,075,887	439,838	430,413	(205,636)
Other	85,056	128,274	96,066	139,284
Extracurricular Activities	471,811	0	0	(471,811)
Interest and Fiscal Charges	452,206	0	0	(452,206)
Total Governmental Activities	\$24,815,275	\$1,210,725	\$2,587,173	(21,017,377)
<u>General Revenues:</u>				
Property Taxes Levied for:				
				3,335,978
				568,256
				639,831
				65,445
				2,880,080
				11,303,874
				301,432
				10,339
				218,166
Total General Revenues				19,323,401
				(1,693,976)
				37,781,570
				\$36,087,594

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2007

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,817,938	\$798,940	\$0	\$446,542	\$5,063,420
Investments with Fiscal Agents	0	254,340	30,890	0	285,230
Receivables:					
Property Taxes	4,882,318	807,551	1,061,349	92,199	6,843,417
Income Tax	1,454,484	0	0	0	1,454,484
Accounts	35,494	0	0	1,030	36,524
Intergovernmental	12,478	0	0	61,834	74,312
Accrued Interest	42,749	0	0	0	42,749
Interfund	99,022	0	0	0	99,022
Prepaid Items	0	0	383	0	383
Inventory Held for Resale	0	0	0	5,511	5,511
Materials and Supplies Inventory	0	0	0	2,217	2,217
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	2,132	0	0	0	2,132
Total Assets	\$10,346,615	\$1,860,831	\$1,092,622	\$609,333	\$13,909,401
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable	\$92,540	\$0	\$33,814	\$10,287	\$136,641
Accrued Wages and Benefits Payable	1,467,838	0	0	141,727	1,609,565
Contracts Payable	201,043	0	473,998	0	675,041
Intergovernmental Payable	609,392	0	75	92,483	701,950
Matured Compensated Absences Payable	44,676	0	0	0	44,676
Deferred Revenue	4,699,386	737,456	969,190	84,299	6,490,331
Interfund Payable	0	0	0	99,022	99,022
Total Liabilities	7,114,875	737,456	1,477,077	427,818	9,757,226
<u>Fund Balances:</u>					
Reserved for Encumbrances	245,513	0	1,303,913	45,255	1,594,681
Reserved for Property Taxes	400,556	70,095	92,159	7,900	570,710
Reserved for Budget Stabilization	2,132	0	0	0	2,132
Unreserved, Undesignated (Deficit), Reported in:					
General Fund	2,583,539	0	0	0	2,583,539
Special Revenue Funds	0	0	0	128,360	128,360
Debt Service Fund	0	1,053,280	0	0	1,053,280
Capital Projects Funds	0	0	(1,780,527)	0	(1,780,527)
Total Fund Balances (Deficit)	3,231,740	1,123,375	(384,455)	181,515	4,152,175
Total Liabilities and Fund Balances	\$10,346,615	\$1,860,831	\$1,092,622	\$609,333	\$13,909,401

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, 2007

Total Governmental Fund Balances		\$4,152,175
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	861,560	
Construction in progress	992,311	
Other capital assets	54,775,750	
Accumulated depreciation	<u>(15,493,164)</u>	
Total capital assets		41,136,457
 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	240,923	
Income taxes	<u>192,374</u>	
		433,297
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
		61,216
 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	(2,470,000)	
Refunding bonds payable	(2,615,000)	
Accretion on capital appreciation bonds	(42,679)	
Certificates of participation	(2,590,000)	
Gain on refunding	203,168	
Bond premium on debt issue	(267,136)	
Accrued interest on bonds	(27,179)	
Capital leases	(776,846)	
Compensated absences	<u>(1,109,879)</u>	
Total liabilities		<u>(9,695,551)</u>
 Net Assets of Governmental Activities		 <u><u>\$36,087,594</u></u>

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, 2007

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,812,137	\$650,598	\$601,416	\$74,721	\$5,138,872
Income Tax	2,841,624	0	0	0	2,841,624
Intergovernmental	12,145,690	88,579	57,809	1,597,158	13,889,236
Interest	284,060	12,160	5,212	1,811	303,243
Tuition and Fees	475,433	0	0	89,074	564,507
Extracurricular Activities	0	0	0	128,274	128,274
Rent	23,274	0	0	0	23,274
Customer Sales and Service	54,832	0	0	439,838	494,670
Revenue in Lieu of Taxes	10,339	0	0	0	10,339
Miscellaneous	92,903	0	0	125,263	218,166
Total Revenues	19,740,292	751,337	664,437	2,456,139	23,612,205
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	9,107,977	0	0	212,612	9,320,589
Special	1,348,011	0	0	559,698	1,907,709
Vocational	108,188	0	0	6,616	114,804
Student Intervention Services	0	0	0	28,555	28,555
Support Services:					
Pupils	1,157,345	0	0	419,182	1,576,527
Instructional Staff	2,229,344	0	0	152,904	2,382,248
Board of Education	62,606	0	0	0	62,606
Administration	1,246,017	0	0	44,609	1,290,626
Fiscal	568,490	7,826	1,962	1,355	579,633
Business	11,031	0	58,259	0	69,290
Operation and Maintenance of Plant	1,825,035	0	39,474	156,206	2,020,715
Pupil Transportation	1,677,260	0	0	0	1,677,260
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	941,024	941,024
Other	261	0	0	114,816	115,077
Extracurricular Activities	254,643	0	0	124,882	379,525
Capital Outlay	0	0	1,010,129	0	1,010,129
Debt Service:					
Principal Retirement	324,386	480,000	98,103	0	902,489
Interest and Fiscal Charges	128,325	243,148	36,930	0	408,403
Issuance Costs	0	64,376	0	0	64,376
Total Expenditures	20,048,919	795,350	1,244,857	2,762,459	24,851,585
Excess of Revenues Under Expenditures	(308,627)	(44,013)	(580,420)	(306,320)	(1,239,380)
<u>Other Financing Sources (Uses):</u>					
Refunding Bonds Issued	0	2,775,000	0	0	2,775,000
Premium on Refunding Bonds Issued	0	280,950	0	0	280,950
Payment to Refunded Bond Escrow Agent	0	(2,988,671)	0	0	(2,988,671)
Transfers In	0	0	0	837	837
Transfers Out	(837)	0	0	0	(837)
Total Other Financing Sources (Uses)	(837)	67,279	0	837	67,279
Net Change in Fund Balances	(309,464)	23,266	(580,420)	(305,483)	(1,172,101)
Fund Balances at Beginning of Year	3,541,204	1,100,109	195,965	486,998	5,324,276
Fund Balances (Deficit) at End of Year	\$3,231,740	\$1,123,375	(\$384,455)	\$181,515	\$4,152,175

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, 2007

Net Change in Fund Balances - Total Governmental Funds (\$1,172,101)

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

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

Capital asset additions	1,044,197	
Depreciation expense	(1,919,532)	
Excess of capital outlay over depreciation expense		(875,335)

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	(529,362)	
Income taxes	38,456	
		(490,906)

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

Proceeds of bonds	(2,775,000)	
Premium on bonds	(280,950)	
		(3,055,950)

Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

64,376

Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Accretion on capital appreciation bonds	(42,679)	
Amortization of bond issuance costs	(3,160)	
Amortization of bond premium	13,814	
Amortization of gain on refunding	(10,503)	
		(42,528)

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

Bond payments	480,000	
Certificates of participation payments	125,000	
Capital lease payments	297,489	
Payment to refunded bond escrow agent	2,988,671	
Total long-term debt repayment		3,891,160

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:

Increase in accrued interest payable	(1,275)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(11,417)
--	----------

Change in Net Assets of Governmental Activities (\$1,693,976)

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budget Amounts</u>			Variance With Final Budget Under
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$4,336,672	\$4,251,370	\$4,341,511	\$90,141
Income Tax	2,797,915	2,574,394	2,628,849	54,455
Intergovernmental	12,913,520	11,881,875	12,133,212	251,337
Interest	292,174	216,190	274,519	58,329
Tuition and Fees	511,355	470,504	480,456	9,952
Rent	24,771	22,792	23,274	482
Customer Services	58,358	54,832	54,832	0
Revenue in Lieu of Taxes	11,004	10,339	10,339	0
Miscellaneous	407,126	373,465	382,525	9,060
Total Revenues	21,352,895	19,855,761	20,329,517	473,756
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,068,735	9,333,519	9,333,519	0
Special	1,181,809	1,329,366	1,329,366	0
Vocational	148,122	114,687	114,687	0
Support Services:				
Pupils	1,146,816	1,157,056	1,157,056	0
Instructional Staff	2,076,707	2,130,431	2,130,431	0
Board of Education	46,715	60,662	60,662	0
Administration	1,238,892	1,241,539	1,241,539	0
Fiscal	566,796	484,634	484,634	0
Business	8,000	11,031	11,031	0
Operation and Maintenance of Plant	1,733,128	1,978,874	1,978,874	0
Pupil Transportation	2,140,177	2,466,426	2,466,426	0
Operation of Non-Instructional				
Services	0	261	261	0
Extracurricular Activities	378,000	249,473	249,473	0
Capital Outlay	0	1,938	1,938	0
Debt Service:				
Principal Retirement	125,000	204,000	204,000	0
Interest and Fiscal Charges	120,235	125,417	125,417	0
Total Expenditures	19,979,132	20,889,314	20,889,314	0
Excess of Revenues Over (Under) Expenditures	1,373,763	(1,033,553)	(559,797)	473,756
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	0	2,140	2,140	0
Refund of Prior Year Expenditures	0	245	245	0
Transfers Out	0	(837)	(837)	0
Total Other Financing Sources (Uses)	0	1,548	1,548	0
Net Change in Fund Balance	1,373,763	(1,032,005)	(558,249)	473,756
Fund Balance at Beginning of Year	3,297,763	3,297,763	3,297,763	0
Prior Year Encumbrances Appropriated	468,872	468,872	468,872	0
Fund Balance at End of Year	\$5,140,398	\$2,734,630	\$3,208,386	\$473,756

See accompanying notes to the basic financial statements

GOSHEN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$22,558	<u>\$29,357</u>
<u>Liabilities:</u>		
Undistributed Monies	<u>0</u>	<u>\$29,357</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$22,558</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, 2007

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
<u>Additions:</u>		
Gifts and Contributions	\$12,050	
<u>Deductions:</u>		
Payments in Accordance with Trust Agreement	<u>12,078</u>	
<i>Change in Net Assets</i>		(28)
<i>Net Assets at Beginning of Year</i>		<u>22,586</u>
<i>Net Assets at End of Year</i>		<u><u>\$22,558</u></u>

See accompanying notes to the basic financial statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for all transactions, including the collection of property taxes, intergovernmental monies and interest received related to the constructing or improving of such permanent improvement.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

During fiscal year 2007, 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, Federal Home Loan Bank Notes, Federal Home Loan Bank Discount Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association 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. Nonparticipating investment contracts such as repurchase agreements are reported at cost. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$284,060, which includes \$77,771 assigned from other School District funds.

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

F. Inventory

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Internal Activity

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

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

N. Fund Balance Reserves

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs 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 \$1,473,969 of restricted net assets, none of which are restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

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

Q. 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. Prior to fiscal year-end, the School District passed a supplemental appropriation that matched appropriations to expenditures and encumbrances for the fiscal year in the General Fund.

NOTE 3 - RESTATEMENT OF NET ASSETS

During fiscal year 2007, it was discovered that capital leases were understated at June 30, 2006. This resulted in a restatement of long-term liabilities at June 30, 2006, which had the following effect on the net assets of the School District's governmental activities:

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 - RESTATEMENT OF NET ASSETS (Continued)

Net Assets, June 30, 2006, as reported	\$38,061,223
Restatement of Capital Leases	<u>(279,653)</u>
Net Assets, June 30, 2006, as restated	<u><u>\$37,781,570</u></u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2007, the Permanent Improvement, Food Service, Ohio Reads, Poverty Based Assistance, Title I, Title VI-B, and Title VI-R Special Revenue Funds had deficit fund balances in the amounts of \$384,455, \$183,383, \$1,911, \$101, \$7,030, \$40,406, and \$13,842, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 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.

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

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
GAAP Basis	(\$309,464)
Adjustments:	
Revenue Accruals	327,081
Expenditure Accruals	132,585
Encumbrances	(701,456)
Net Increase in Fair Value of Investments - Fiscal Year 2006	(16,245)
Net Increase in Fair Value of Investments - Fiscal Year 2007	9,250
Budget Basis	(\$558,249)

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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
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.

Investments

As of June 30, 2007, the School District had the following investments:

	Fair Value	Maturity
STAROhio	\$113,726	Average 38.56 Days
First American Treasury Obligation Money Market Mutual Fund	281,448	Less than one year
First American Government Obligation Money Market Mutual Fund	959	Less than one year
Federal Home Loan Bank Notes	2,421,436	Less than two years
Federal Home Loan Bank Discount Notes	518,804	Less than one year
Federal Home Loan Bank Bonds	249,220	Less than two years
Federal Home Loan Mortgage Corporation Discount Notes	374,131	Less than one year
Federal National Mortgage Association Notes	599,190	Less than one year
Federal National Mortgage Association Discount Notes	124,588	Less than three years
Repurchase Agreements	111,013	Less than two years
Total Investments	\$4,794,515	

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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, 50 percent is invested in the Federal Home Loan Bank Notes, 12 percent is invested in Federal National Mortgage Association Notes, 11 percent is invested in Federal Home Loan Bank Discount Notes, and eight percent is invested in Federal Home Loan Mortgage Corporation 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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 7 - PROPERTY TAXES (Continued)

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 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 fiscal year, the June 2007 tangible personal property tax was received in May.

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, 2007, are available to finance fiscal year 2007 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, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 7 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2007, was \$400,556 in the General Fund, \$70,095 in the Bond Retirement Fund, \$92,159 in the Permanent Improvement Fund, and \$7,900 in the Classroom Facilities Fund. 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.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$220,197,230	93.03%	\$229,797,180	93.63%
Public Utility Personal	10,893,950	4.60%	10,779,280	4.39%
General Business Personal	5,600,586	2.37%	4,851,985	1.98%
Total Assessed Value	\$236,691,766	100.00%	\$245,428,445	100.00%
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, 2007, 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:

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – RECEIVABLES (Continued)

	Amounts
Governmental Activities:	
Preschool Early Incentive Grant	\$12,478
Ohio Reads	5,033
Title I	13,186
Lunchroom Reimbursement	43,615
Total Intergovernmental Receivables	\$74,312

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Ending Balance 6/30/2006	Additions	Deletions	Ending Balance 6/30/2007
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$861,560	\$0	\$0	\$861,560
Construction in Progress	0	992,311	0	992,311
Total Capital Assets, Not Being Depreciated	861,560	992,311	0	1,853,871
Capital Assets Being Depreciated:				
Land Improvements	3,326,974	8,293	0	3,335,267
Buildings and Improvements	46,418,007	0	0	46,418,007
Furniture and Equipment	4,045,181	43,593	0	4,088,774
Vehicles	160,772	0	0	160,772
Books and Educational Media	772,930	0	0	772,930
Total Capital Assets Being Depreciated	54,723,864	51,886	0	54,775,750
Less Accumulated Depreciation:				
Land Improvements	(895,530)	(108,166)	0	(1,003,696)
Buildings and Improvements	(9,556,345)	(1,441,951)	0	(10,998,296)
Furniture and Equipment	(2,440,128)	(247,595)	0	(2,687,723)
Vehicles	(149,993)	(3,855)	0	(153,848)
Books and Educational Media	(531,636)	(117,965)	0	(649,601)
Total Accumulated Depreciation	(13,573,632)	(1,919,532) *	0	(15,493,164)
Total Capital Assets Being Depreciated, Net	41,150,232	(1,867,646)	0	39,282,586
Governmental Activities Capital Assets, Net	\$42,011,792	(\$875,335)	\$0	\$41,136,457

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 - CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$958,998
Special	144,185
Vocational	14,002
Support Services:	
Pupils	189,710
Instructional Staff	149,095
Board of Education	1,702
Administration	86,068
Fiscal	28,356
Operation and Maintenance of Plant	92,669
Pupil Transportation	4,678
Central	680
Operation of Non-Instruction Services:	
Food Service Operations	157,008
Other	95
Extracurricular Activities	92,286
Total Depreciation Expense	\$1,919,532

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 2007, 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, 2007

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 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 2007, 10.68 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, 2007, 2006, and 2005 were \$316,306, \$280,121, and \$332,941, respectively; 45.63 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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 43215-3771, by calling toll-free (888) 227-7877, 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, 2007, 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 2006, 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, 2007, 2006, and 2005, were \$1,176,639, \$1,101,882, and \$1,150,480, respectively; 83.04 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$7,052 made by the School District and \$10,721 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, 2007, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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 funded 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, 2007, 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 \$90,511 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, 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 2007 fiscal year equaled \$154,935.

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 at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive 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 221 days for employees who work less than twelve months or 225 days for employees who work twelve months. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 days.

B. Employee Benefits

For fiscal year 2007, 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 accumulate 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, 2007

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 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 \$79,000 were made during fiscal year 2007. The principal amount owed on the lease at fiscal year-end is \$455,000.

In prior fiscal 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 \$218,489 during fiscal year 2007.

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	\$899,120	\$703,363	\$195,757
Copier Equipment	132,113	131,268	845
Land Improvements	351,400	158,130	193,270
Playground Equipment	229,679	114,840	114,839
Totals	<u>\$1,612,312</u>	<u>\$1,107,601</u>	<u>\$504,711</u>

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007:

Fiscal Year Ending June 30,	Total Payments
2008	\$104,166
2009	222,719
2010	223,356
2011	222,888
2012	103,671
Total Minimum Lease Payments	876,800
Less: Amount Representing Interest	(99,954)
Present Value of Net Minimum Lease Payments	\$776,846

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due in One Year
Governmental Activities:					
2000 School Improvement General Obligation Bonds 4.4%-6.25%	\$5,565,000	\$0	\$3,095,000	\$2,470,000	\$345,000
Refunding of Series 2000 Bonds					
Refunding Bonds:					
Serial Bonds 4.00%	0	2,575,000	160,000	2,415,000	110,000
Capital Appreciation Bonds 12.24%	0	200,000	0	200,000	0
Premium on Debt Issue	0	280,950	13,814	267,136	0
Deferred Gain on Refunding	0	(213,671)	(10,503)	(203,168)	0
Accretion of Capital Appreciation Bonds	0	42,679	0	42,679	0
2002 Certificates of Participation 2.5%-5.00%	2,715,000	0	125,000	2,590,000	260,000
Compensated Absences	1,098,462	206,232	194,815	1,109,879	123,012
Capital Leases	1,074,335	0	297,489	776,846	83,084
Total Governmental Activities Long-Term Obligations	\$10,452,797	\$3,091,190	\$3,875,615	\$9,668,372	\$921,096

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, 2007

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

In fiscal year 2007, \$2,775,000 of the general obligation bonds were advance refunded.

On August 29, 2006, the School District issued \$2,775,000 in voted general obligation bonds for the purpose of advance refunding \$2,775,000 of the Series 2000 School Improvement Bonds. The average rate on the refunded bonds was 5.56 percent while the rate on the new debt is 4.00 percent. The net proceeds of \$2,988,671 (after payment of \$64,376 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded portion of the Series 2000 bonds. As a result, the refunded portion of the Series 2000 bonds are considered defeased and the liability for those bonds has been removed from the balance sheet. Of these refunded bonds, \$2,575,000 are serial bonds and \$200,000 are capital appreciation bonds. The bonds were issued for a seventeen year period, with final maturity in December 2022. The capital appreciation bonds will mature in fiscal years 2018 and 2019. The maturity amount of the capital appreciation bonds is \$400,000 in fiscal year 2018 and \$400,000 in fiscal year 2019, for a total of \$800,000. For fiscal year 2007, the capital appreciation bonds were accreted \$42,679. The bonds will be retired from the Debt Service Fund.

The refunding resulted in a difference of \$213,671 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The School District's total debt service payments decreased by \$448,570 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$178,795.

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

The School District's overall legal debt margin was \$17,526,863 with an unvoted debt margin of \$238,761 at June 30, 2007.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire bonds and certificates of participation outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	2000 School Improvement Bonds		2002 Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2008	\$345,000	\$132,928	\$260,000	\$115,233	\$853,161
2009	145,000	121,131	135,000	110,390	511,521
2010	175,000	113,327	140,000	105,154	533,481
2011	185,000	104,461	150,000	99,480	538,941
2012	200,000	94,258	155,000	93,315	542,573
2013-2017	1,420,000	238,691	885,000	360,270	2,903,961
2018-2022	0	0	865,000	135,945	1,000,945
	<u>\$2,470,000</u>	<u>\$804,796</u>	<u>\$2,590,000</u>	<u>\$1,019,787</u>	<u>\$6,884,583</u>

Refunding of Series 2000 Bonds

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
	2008	\$110,000	\$95,898	\$0	
2009	105,000	91,598	0	0	196,598
2010	120,000	87,098	0	0	207,098
2011	85,000	82,998	0	0	167,998
2012	80,000	79,698	0	0	159,698
2013-2017	240,000	362,890	0	0	602,890
2018-2022	1,230,000	269,009	200,000	600,000	2,299,009
2023	445,000	9,171	0	0	454,171
	<u>\$2,415,000</u>	<u>\$1,078,360</u>	<u>\$200,000</u>	<u>\$600,000</u>	<u>\$4,293,360</u>

NOTE 17 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2007, were as follows:

Transfer From	Transfer To
	Other Governmental Funds

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 17 - INTERFUND ACTIVITY (Continued)

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable				
<table style="border: none;"> <tr> <td style="background-color: #cccccc; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">Payable</td> <td style="padding: 5px;">Other Governmental Funds</td> </tr> </table>	Payable	Other Governmental Funds	<table style="border: none; margin-left: auto; margin-right: auto;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; padding: 5px;">General</td> </tr> <tr> <td style="border-bottom: 3px double black; padding: 5px;">\$99,022</td> </tr> </table>	General	\$99,022
Payable	Other Governmental Funds				
General					
\$99,022					

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.

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 \$80,326 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.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Great Oaks Institute of Technology and Career Development

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

NOTE 19 - INSURANCE PURCHASING POOLS

A. Clermont County Insurance Consortium

The Clermont County Insurance Consortium (the Consortium), an insurance purchasing pool, is an insurance consortium formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's, employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, Southwestern Ohio Educational Purchasing Council, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District is responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintains no right to any assets of the Consortium. The School District may terminate participation in the Consortium for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from Dr. Alexander, Administrator of the Clermont County Insurance Consortium, at 2400 Clermont Center Drive, Suite 202, Batavia, OH 45103.

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The 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 thirteen member Board of Directors consisting of school district superintendents and treasurers, as well as Dave Harcum, an independent consultant of the Hylant Group, Inc., and a partner of the Hylant Group, Inc. The Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

NOTE 19 - INSURANCE PURCHASING POOLS (Continued)

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.

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, 2006	\$47,523	\$0	\$2,132
Current Year Set-aside Requirement	379,179	379,179	0
Qualifying Disbursements	(446,720)	0	0
Current Year Offsets	0	(379,179)	0
Totals	<u>(\$20,018)</u>	<u>\$0</u>	<u>\$2,132</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$20,018)</u>	<u>\$0</u>	<u>\$2,132</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</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.

Goshen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007.

B. Litigation

The School District is not a party to legal proceedings.

NOTE 22 – CONSTRUCTION COMMITMENTS

The School District contracted for the construction and remodeling of athletic facilities. The project began in the 2007 fiscal year and will be completed in fiscal year 2008. The significant outstanding construction commitments at June 30, 2007 are as follows:

Contractor	Total Contract Amount	Amount Expended	Balance at 6/30/2007
Jindal	\$686,235	\$176,710	\$509,525
Midwest Buildings	161,000	59,863	101,137
Utter Construction, Inc.	247,038	110,658	136,380
Sidewinder Electric Company	79,500	48,407	31,093
The MOTZ Group, Inc.	526,968	51,318	475,650
McCarty and Associates	318,600	131,594	187,006
Total	<u>\$2,019,341</u>	<u>\$578,550</u>	<u>\$1,440,791</u>

NOTE 23 - SUBSEQUENT EVENT

On July 30, 2007, the School District issued \$5,405,000 in General Obligation Bonds. Of this amount, \$2,590,000 were issued for the purpose of refunding the 2002 Certificates of Participation and \$2,815,000 were issued for the purpose of making improvements to existing facilities and constructing new assets. The bonds consist of \$2,195,000 in serial bonds with an average interest rate of 4.02 percent and \$3,210,000 in term bonds with an average interest rate of 4.375 percent. The bond issue matures December 15, 2026.

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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-06	10.553	\$ 12,752	\$0	\$ 12,752	\$0
	05-PU-07		<u>31,624</u>	<u>0</u>	<u>31,624</u>	<u>0</u>
			44,376	0	44,376	0
National School Lunch Program	LL-P4-06	10.555	85,278	0	85,278	0
	LL-P4-07		<u>227,511</u>	<u>0</u>	<u>227,511</u>	<u>0</u>
			312,789	0	312,789	0
Total Nutrition Cluster			<u>357,165</u>	<u>0</u>	<u>357,165</u>	<u>0</u>
Food Distribution Program		10.550	<u>0</u>	<u>59,045</u>	<u>0</u>	<u>59,045</u>
Total U.S. Department of Agriculture			<u>357,165</u>	<u>59,045</u>	<u>357,165</u>	<u>59,045</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-06/07	84.027	677,183		729,614	
Special Education Grants to States (Access)	6B-SD-06	84.027	17,108		21,178	
Special Education Grants to States (Positive Behavior Support)	6B-PB-07	84.027	<u>771</u>		<u>7,151</u>	
Total Special Education Cluster			695,062	0	757,943	0
Title I Grants to Local Educational Agencies	C1-S1-06/07	84.010	215,271		216,987	
	C1-SN-07	84.010	<u>24,099</u>		<u>24,099</u>	
			239,370	0	241,086	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-07	84.186	8,201		7,349	
Innovative Educational Program Strategies	C2-S1-07	84.298	3,668		3,259	
Improving Teacher Quality	TR-S1-06/07	84.367	101,678		107,129	
Technology Literacy Challenge Grant	TJ-S1-07	84.318	<u>2,377</u>		<u>2,377</u>	
<i>Passed through the Great Oaks Institute & Career Development</i>						
Carl Perkins/Vocational Education	None	84.049	<u>6,516</u>	<u>0</u>	<u>6,516</u>	<u>0</u>
Total U.S. Department of Education			<u>1,056,872</u>	<u>0</u>	<u>1,125,659</u>	<u>0</u>
Totals			<u>\$1,414,037</u>	<u>\$59,045</u>	<u>\$1,482,824</u>	<u>\$59,045</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 Federal Awards Expenditures Schedule (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 DONATION 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 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated March 3, 2008.

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*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 3, 2008.

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

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

Mary Taylor, CPA
Auditor of State

March 3, 2008



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, 2007. 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, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

March 3, 2008

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007**

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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	Special Education Cluster: CFDA #84.027; 84.173
<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
MARCH 20, 2008**