



**Auditor of State
Betty Montgomery**

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To The Board of Education:

We have audited the accompanying general purpose financial statements of the Goshen Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 January 23, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 23, 2003

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Goshen Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,390,599	\$664,354	\$474,878	\$9,677,699
Cash and Cash Equivalents:				
With Escrow Agents	0	0	0	392,467
With Fiscal Agents	0	0	334	3,761,070
Receivables:				
Property Taxes	3,203,932	76,966	539,183	0
Income Tax	905,315	0	0	0
Accounts	21,405	1,627	0	0
Intergovernmental	10,403	154,299	0	0
Accrued Interest	37,502	0	0	56,608
Interfund	39,317	0	0	0
Prepaid Items	20,286	0	0	244
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	60,122	10,098	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,058	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$10,711,939</u>	<u>\$907,344</u>	<u>\$1,014,395</u>	<u>\$13,888,088</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$40,116	\$0	\$0	\$17,247,646
0	0	0	0	392,467
0	0	0	0	3,761,404
0	0	0	0	3,820,081
0	0	0	0	905,315
0	0	0	0	23,032
0	0	0	0	164,702
0	0	0	0	94,110
0	0	0	0	39,317
0	0	0	0	20,530
2,204	0	0	0	2,204
1,024	0	0	0	71,244
0	0	0	0	23,058
39,128	0	40,278,999	0	40,318,127
0	0	0	535,803	535,803
0	0	0	11,831,983	11,831,983
<u>\$42,356</u>	<u>\$40,116</u>	<u>\$40,278,999</u>	<u>\$12,367,786</u>	<u>\$79,251,023</u>

(continued)

Goshen Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities,</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$113,554	\$39,371	\$0	\$36,490
Contracts Payable	0	0	0	2,588,391
Accrued Wages and Benefits	1,112,040	64,070	0	0
Compensated Absences Payable	17,028	0	0	0
Retainage Payable	0	0	0	669,295
Interfund Payable	0	27,334	0	0
Intergovernmental Payable	387,123	27,774	0	0
Deferred Revenue	2,922,136	79,894	475,146	0
Due to Students	0	0	0	0
Matured Interest Payable	0	0	334	0
Accrued Interest Payable	1,110	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Notes Payable	180,000	0	0	0
General Obligation Bonds Payable	0	0	0	0
	4,732,991	238,443	475,480	3,294,176
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Deficit):	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,378,089	51,063	0	5,476,750
Reserved for Property Taxes	354,778	8,689	60,925	0
Reserved for Budget Stabilization	2,132	0	0	0
Reserved for Textbooks	20,926	0	0	0
Unreserved:				
Designated for Budget Stabilization	332,751	0	0	0
Designated for Textbooks	8,551	0	0	0
Designated for Capital Acquisitions	111,761	0	0	0
Undesignated	3,769,960	609,149	477,990	5,117,162
	5,978,948	668,901	538,915	10,593,912
Total Liabilities, Fund Equity and Other Credits	\$10,711,939	\$907,344	\$1,014,395	\$13,888,088

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$189,415
0	0	0	0	2,588,391
37,996	0	0	0	1,214,106
28,477	0	0	1,246,418	1,291,923
0	0	0	0	669,295
11,983	0	0	0	39,317
15,864	0	0	142,246	573,007
0	0	0	0	3,477,176
0	40,116	0	0	40,116
0	0	0	0	334
0	0	0	0	1,110
0	0	0	4,419,122	4,419,122
0	0	0	0	180,000
0	0	0	6,560,000	6,560,000
<u>94,320</u>	<u>40,116</u>	<u>0</u>	<u>12,367,786</u>	<u>21,243,312</u>
0	0	40,278,999	0	40,278,999
(51,964)	0	0	0	(51,964)
0	0	0	0	6,905,902
0	0	0	0	424,392
0	0	0	0	2,132
0	0	0	0	20,926
0	0	0	0	332,751
0	0	0	0	8,551
0	0	0	0	111,761
0	0	0	0	9,974,261
<u>(51,964)</u>	<u>0</u>	<u>40,278,999</u>	<u>0</u>	<u>58,007,711</u>
<u>\$42,356</u>	<u>\$40,116</u>	<u>\$40,278,999</u>	<u>\$12,367,786</u>	<u>\$79,251,023</u>

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Goshen Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$2,963,773	\$71,056	\$497,791	\$0	\$3,532,620
Income Tax	2,042,426	0	0	0	2,042,426
Intergovernmental	10,642,736	1,083,226	59,817	18,832,403	30,618,182
Interest	364,953	583	1,116	481,806	848,458
Tuition and Fees	75,521	91,588	0	0	167,109
Rent	527	0	0	0	527
Extracurricular Activities	0	249,786	0	0	249,786
Gifts and Donations	0	10,421	0	0	10,421
Miscellaneous	331,793	10,566	0	2,590	344,949
Total Revenues	16,421,729	1,517,226	558,724	19,316,799	37,814,478
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	7,228,576	208,242	0	83,329	7,520,147
Special	918,693	498,558	0	0	1,417,251
Vocational	112,314	7,001	0	0	119,315
Other	0	38,636	0	0	38,636
Support Services:					
Pupils	818,522	175,160	0	0	993,682
Instructional Staff	369,679	217,676	0	0	587,355
Board of Education	29,699	0	0	0	29,699
Administration	2,835,430	29,096	0	0	2,864,526
Fiscal	428,854	1,496	10,473	156,090	596,913
Business	28,611	0	0	0	28,611
Operation and Maintenance of Plant	988,412	9,537	0	0	997,949
Pupil Transportation	1,964,050	0	0	0	1,964,050
Central	77,190	341	0	29,755	107,286
Non-Instructional Services	0	76,360	0	0	76,360
Extracurricular Activities	140,608	152,546	0	0	293,154
Capital Outlay	561,097	0	0	20,612,157	21,173,254
Debt Service:					
Principal Retirement	11,798	0	320,000	0	331,798
Interest and Fiscal Charges	5,626	0	543,975	7,240	556,841
Total Expenditures	16,519,159	1,414,649	874,448	20,888,571	39,696,827
Excess of Revenues Over (Under) Expenditures	(97,430)	102,577	(315,724)	(1,571,772)	(1,882,349)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Capital Lease	546,920	0	255,867	3,763,133	4,565,920
Operating Transfers - In	430,885	26,944	317,887	349,240	1,124,956
Operating Transfers - Out	(1,033,885)	(8,319)	(42,752)	(100,000)	(1,184,956)
Total Other Financing Sources (Uses)	(56,080)	18,625	531,002	4,012,373	4,505,920
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(153,510)	121,202	215,278	2,440,601	2,623,571
Fund Balances at Beginning of Year	6,132,458	547,699	323,637	8,153,311	15,157,105
Fund Balances at End of Year	<u>\$5,978,948</u>	<u>\$668,901</u>	<u>\$538,915</u>	<u>\$10,593,912</u>	<u>\$17,780,676</u>

See accompanying notes to the general purpose financial statements

Goshen Local School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$3,108,873	\$3,116,427	\$7,554	\$74,198	\$74,349	\$151
Income Tax	2,033,193	2,033,193	0	0	0	0
Intergovernmental	10,602,912	10,615,319	12,407	981,842	984,792	2,950
Interest	363,352	375,529	12,177	580	583	3
Tuition and Fees	118,183	118,183	0	90,976	91,226	250
Rent	1,961	1,961	0	0	0	0
Extracurricular Activities	0	0	0	250,012	250,012	0
Gifts and Donations	0	0	0	10,421	10,421	0
Miscellaneous	332,776	332,964	188	9,983	12,337	2,354
Total Revenues	16,561,250	16,593,576	32,326	1,418,012	1,423,720	5,708
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	7,864,511	7,870,348	(5,837)	298,470	245,357	53,113
Special	925,137	925,137	0	547,566	489,579	57,987
Vocational	115,112	115,112	0	7,960	7,960	0
Other	0	0	0	43,452	44,133	(681)
Support Services:						
Pupils	805,305	809,170	(3,865)	203,359	178,819	24,540
Instructional Staff	479,166	479,166	0	256,214	224,294	31,920
Board of Education	29,984	29,984	0	0	0	0
Administration	3,058,092	3,058,092	0	54,587	30,241	24,346
Fiscal	439,538	450,588	(11,050)	1,344	1,496	(152)
Business	28,052	28,052	0	0	0	0
Operation and Maintenance of Plant	1,675,537	1,675,537	0	30,998	11,258	19,740
Pupil Transportation	1,898,213	1,898,213	0	0	0	0
Central	80,840	80,840	0	14,341	341	14,000
Non-Instructional Services	0	0	0	120,122	97,508	22,614
Extracurricular Activities	141,720	141,720	0	165,895	165,895	0
Capital Outlay	18,065	18,065	0	0	0	0
Debt Service:						
Principal Retirement	197,248	197,248	0	0	0	0
Interest and Fiscal Charges	9,240	9,240	0	0	0	0
Total Expenditures	17,765,760	17,786,512	(20,752)	1,744,308	1,496,881	247,427
Excess of Revenues Over (Under) Expenditures	(1,204,510)	(1,192,936)	11,574	(326,296)	(73,161)	253,135
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Notes	180,000	180,000	0	0	0	0
Proceeds from Capital Lease	0	0	0	0	0	0
Refund of Prior Year Expenditures	112	112	0	0	0	0
Operating Transfers In	430,885	430,885	0	11,944	11,944	0
Operating Transfers Out	(812,397)	(812,397)	0	(8,319)	(8,319)	0
Total Other Financing Sources (Uses)	(201,400)	(201,400)	0	3,625	3,625	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,405,910)	(1,394,336)	11,574	(322,671)	(69,536)	253,135
Fund Balances at Beginning of Year	5,569,238	5,569,238	0	543,212	543,212	0
Prior Year Encumbrances Appropriated	721,953	721,953	0	71,196	71,196	0
Fund Balances at End of Year	\$4,885,281	\$4,896,855	\$11,574	\$291,737	\$544,872	\$253,135

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$519,486	\$520,548	\$1,062	\$0	\$0	\$0	\$3,702,557	\$3,711,324	\$8,767
0	0	0	0	0	0	2,033,193	2,033,193	0
60,033	59,817	(216)	18,832,403	18,832,403	0	30,477,190	30,492,331	15,141
0	1,116	1,116	446,100	461,743	15,643	810,032	838,971	28,939
0	0	0	0	0	0	209,159	209,409	250
0	0	0	0	0	0	1,961	1,961	0
0	0	0	0	0	0	250,012	250,012	0
0	0	0	0	0	0	10,421	10,421	0
0	0	0	350	350	0	343,109	345,651	2,542
<u>579,519</u>	<u>581,481</u>	<u>1,962</u>	<u>19,278,853</u>	<u>19,294,496</u>	<u>15,643</u>	<u>37,837,634</u>	<u>37,893,273</u>	<u>55,639</u>
0	0	0	101,961	101,961	0	8,264,942	8,217,666	47,276
0	0	0	0	0	0	1,472,703	1,414,716	57,987
0	0	0	0	0	0	123,072	123,072	0
0	0	0	0	0	0	43,452	44,133	(681)
0	0	0	0	0	0	1,008,664	987,989	20,675
0	0	0	0	0	0	735,380	703,460	31,920
0	0	0	0	0	0	29,984	29,984	0
0	0	0	0	0	0	3,112,679	3,088,333	24,346
9,411	10,473	(1,062)	142,290	142,290	0	592,583	604,847	(12,264)
0	0	0	0	0	0	28,052	28,052	0
0	0	0	0	0	0	1,706,535	1,686,795	19,740
0	0	0	0	0	0	1,898,213	1,898,213	0
0	0	0	29,755	29,755	0	124,936	110,936	14,000
0	0	0	0	0	0	120,122	97,508	22,614
0	0	0	0	0	0	307,615	307,615	0
0	0	0	36,172,651	26,464,402	9,708,249	36,190,716	26,482,467	9,708,249
362,752	362,752	0	0	0	0	560,000	560,000	0
504,395	543,975	(39,580)	0	0	0	513,635	553,215	(39,580)
<u>876,558</u>	<u>917,200</u>	<u>(40,642)</u>	<u>36,446,657</u>	<u>26,738,408</u>	<u>9,708,249</u>	<u>56,833,283</u>	<u>46,939,001</u>	<u>9,894,282</u>
<u>(297,039)</u>	<u>(335,719)</u>	<u>(38,680)</u>	<u>(17,167,804)</u>	<u>(7,443,912)</u>	<u>9,723,892</u>	<u>(18,995,649)</u>	<u>(9,045,728)</u>	<u>9,949,921</u>
0	0	0	0	0	0	180,000	180,000	0
255,867	255,867	0	3,024,939	3,749,019	724,080	3,280,806	4,004,886	724,080
0	0	0	0	0	0	112	112	0
317,887	317,887	0	100,000	100,000	0	860,716	860,716	0
0	0	0	(100,000)	(100,000)	0	(920,716)	(920,716)	0
<u>573,754</u>	<u>573,754</u>	<u>0</u>	<u>3,024,939</u>	<u>3,749,019</u>	<u>724,080</u>	<u>3,400,918</u>	<u>4,124,998</u>	<u>724,080</u>
276,715	238,035	(38,680)	(14,142,865)	(3,694,893)	10,447,972	(15,594,731)	(4,920,730)	10,674,001
236,843	236,843	0	(9,565,528)	(9,565,528)	0	(3,210,946)	(3,210,946)	0
0	0	0	20,711,117	20,711,117	0	21,501,334	21,501,334	0
<u>\$513,558</u>	<u>\$474,878</u>	<u>(\$38,680)</u>	<u>(\$2,997,276)</u>	<u>\$7,450,696</u>	<u>\$10,447,972</u>	<u>\$2,695,657</u>	<u>\$13,369,658</u>	<u>\$10,674,001</u>

Goshen Local School District
Statement of Revenues,
Expenses and Changes in Retained Earnings
Enterprise Fund
For the Fiscal Year Ended June 30, 2002

	<u>Food Service</u>
<u>Operating Revenues:</u>	
Sales	<u>\$389,625</u>
<u>Operating Expenses:</u>	
Salaries	302,725
Fringe Benefits	107,411
Purchased Services	5,195
Materials and Supplies	33,025
Cost of Sales	216,023
Depreciation	<u>1,022</u>
Total Operating Expenses	<u>665,401</u>
Operating Loss	<u>(275,776)</u>
<u>Non-Operating Revenues:</u>	
Interest	5
Federal Donated Commodities	49,892
Federal and State Subsidies	<u>151,469</u>
Total Non-Operating Revenues	<u>201,366</u>
Net Loss Before Operating Transfers	(74,410)
Operating Transfers - In	<u>60,000</u>
Net Loss	(14,410)
Retained Earnings (Deficit) at Beginning of Year	<u>(37,554)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$51,964)</u></u>

See accompanying notes to the general purpose financial statements

Goshen Local School District
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 2002

	Food Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$389,625	\$389,625	\$0
Interest	5	5	0
Federal and State Subsidies	151,469	151,469	0
Total Revenues	541,099	541,099	0
<u>Expenses:</u>			
Salaries	301,663	301,663	0
Fringe Benefits	134,268	134,268	0
Purchased Services	5,605	5,605	0
Materials and Supplies	196,121	196,121	0
Total Expenses	637,657	637,657	0
Excess of Revenues Under Expenses	(96,558)	(96,558)	0
Operating Transfers - In	60,000	60,000	0
Excess of Revenues Under Expenses and Transfers	(36,558)	(36,558)	0
Fund Equity at Beginning of Year	23,370	23,370	0
Prior Year Encumbrances Appropriated	899	899	0
Fund Deficit at End of Year	(\$12,289)	(\$12,289)	\$0

See accompanying notes to the general purpose financial statements

Goshen Local School District
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2002

	Food Service
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$389,625
Cash Payments to Suppliers for Goods and Services	(201,420)
Cash Payments to Employees for Services	(301,663)
Cash Payments for Employee Benefits	(134,268)
Net Cash Used for Operating Activities	(247,726)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Subsidies Received	151,469
Operating Transfers - In	60,000
Short-Term Loans from Other Funds	11,983
Net Cash Provided by Noncapital Financing Activities	223,452
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	5
Net Decrease in Cash and Cash Equivalents	(24,269)
Cash and Cash Equivalents at Beginning of Year	24,269
Cash and Cash Equivalents at End of Year	\$0
<u>Reconciliation of Operating Loss to Net</u>	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(\$275,776)
<u>Adjustments to Reconcile Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Depreciation	1,022
Donated Commodities Received During Year	49,892
<u>Changes in Assets and Liabilities:</u>	
Decrease in Materials and Supplies Inventory	2,502
Decrease in Inventory Held for Resale	532
Decrease in Accrued Wages and Benefits	(4,125)
Decrease in Accounts Payable	(104)
Decrease in Compensated Absences Payable	(1,699)
Decrease in Intergovernmental Payable	(19,970)
Total Adjustments	28,050
Net Cash Used for Operating Activities	(\$247,726)

Non-Cash Transactions: The School District received \$49,892 in donated commodities during the fiscal year in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

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 1896 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 35 square miles. It is located in Clermont County, and includes Goshen Township.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Goshen Local School District, this includes general operations, food service, and student related activities of the School District.

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 components.

The following organizations which perform activities within the School District's boundaries for the benefits of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District.

- Booster Clubs
- Parent-Teacher Organizations

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

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

The School District participates in five organizations, three of which are defined as jointly governed organizations and two are group insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association (H/CCA), the Great Oaks Institute of Technology and Career Development, the Clermont County Health Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

The following activities are included within the reporting entity:

Parochial School - Within the School District boundaries, Village Christian School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reported in a special revenue fund to reflect the School District's administrative responsibility for these monies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

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.

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

Proprietary Fund Type:

The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise fund.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Available means that the resources will be collected 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 year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, grants, interest, tuition, student fees and rentals.

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

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

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to function and object level for all funds.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Clermont County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education, during the year for all funds other than the agency fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the enterprise fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits. The School District deposits retainage owed to contractors in an escrow account. These deposits are presented on the combined balance sheet as "cash and cash equivalents with escrow agents."

During fiscal year 2002, the School District's investments consisted of the State Treasury Asset Reserve of Ohio (STAR Ohio), mutual funds, money market funds, commercial paper, federal home loan bank bonds, federal home loan mortgage corporation notes and federal national mortgage association notes. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Open end mutual funds are reported at the fund's share price on June 30, 2002.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$364,953 which includes \$233,285 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, the enterprise fund portion of equity in pooled cash and cash equivalents is considered a cash equivalent because the enterprise fund has access to its share of the cash management pool without prior interest or penalty.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and is expensed/expensed when the inventory is sold or used. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of the enterprise fund consist of donated food, purchased food, and non-food supplies held for resale.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. The School District has also elected to capitalize the cost of textbooks. Fixed assets utilized in the enterprise fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred and fifty dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables.”

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Long-term loans and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt obligations financed by the enterprise fund are reported as liabilities in that fund.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. 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, budget stabilization, and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations 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.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Designations

The School District designates a portion of fund balance to indicate tentative planned expenditures of financial resources. The designations reflect the school district's intentions, are subject to change and are reported as part of unreserved fund balance. Fund designations are established for budget stabilization, textbooks and capital acquisitions.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the acquisition of textbooks and to create a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

O. Estimates

The preparation of 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.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the miscellaneous grant, title I, and goals 2000 special revenue funds and the food service enterprise fund had deficit fund balance retained earnings of \$66, \$7,420, \$2,699 and \$51,964, respectively. The special revenue funds' deficits were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The enterprise fund deficit was due to operating costs exceeding revenues. The School District is monitoring the deficit in the enterprise fund and is considering the possibility of raising lunch prices to help eliminate the deficit.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The following funds had an excess of expenditures plus encumbrances over appropriations for the year ended June 30, 2002:

Fund Type/Fund	Expenditures Plus Encumbrances	Appropriations	Excess
General Fund	\$18,598,909	\$18,578,157	\$20,752
Special Revenue Funds:			
Public School Support	163,115	161,561	1,554
Classroom Facilities	1,496	1,344	152
Debt Service Fund	917,200	876,558	40,642

The food service enterprise fund had an excess of expenditures plus encumbrances over available cash in the amount of \$12,289 for the year ended June 30, 2002.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Fund are presented 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. Proceeds from and principal payments on energy conservation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$153,510)	\$121,202	\$212,278	\$2,440,601
Revenue Accruals	(374,961)	(93,506)	22,757	(22,303)
Expenditure Accruals	426,292	9,916	0	450,473
Note Proceeds	180,000	0	0	0
Capital Lease Proceeds	0	0	0	(14,114)
Debt Principal Payments	(197,248)	0	(42,752)	0
Reallocation of Debt Activity	206,488	0	42,752	(249,240)
Transfers	15,000	(15,000)	0	0
Encumbrances	(1,496,397)	(92,148)	0	(6,300,310)
Budget Basis	<u>(\$1,394,336)</u>	<u>(\$69,536)</u>	<u>\$238,035</u>	<u>(\$3,694,893)</u>

Net Loss/Excess of
Revenues Under Expenses and Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$14,410)
Expense Accruals	(22,864)
Depreciation Expense	1,022
Encumbrances	(306)
Budget Basis	<u>(\$36,558)</u>

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was (\$627,368) and the bank balance was \$47,164. The entire bank balance was covered by federal depository insurance.

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

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Unclassified</u>	<u>Category 3</u>	<u>Category 2</u>	<u>Carrying/Fair Value</u>
STAR Ohio	\$944,889	\$0	\$0	\$944,889
Milestone Treasury Obligation Mutual Fund	2,592,420	0	0	2,592,420
Investment by National City Bank held by Bayerische Hypo Und Verinsbank	0	705,633	0	705,633
Armada Government Money Market Mutual Fund	9,571	0	0	9,571
First American Treasury Money Market Mutual Fund	324,890	0	0	324,890
Federal Automated Government Money Trust Fund	392,032	0	0	392,032
Commercial Paper	0	0	594,240	594,240
Federal Home Loan Bank Bonds	0	0	7,757,875	7,757,875
Federal Home Loan Mortgage Corporation Notes	0	0	5,066,171	5,066,171
Federal National Mortgage Association Notes	<u>0</u>	<u>0</u>	<u>3,664,222</u>	<u>3,664,222</u>
Total	<u><u>\$4,263,802</u></u>	<u><u>\$705,633</u></u>	<u><u>\$17,082,508</u></u>	<u><u>\$22,051,943</u></u>

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

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$21,424,575	\$0
Investments:		
STAR Ohio	(944,889)	944,889
Milestone Treasury Obligation Mutual Fund	(2,592,420)	2,592,420
Investment by National City Bank Held by Bayerische Hypo Und Verinsbank	(705,633)	705,633
Armada Government Money Market Mutual Fund	(9,571)	9,571
First American Treasury Money Market Mutual Fund	(324,890)	324,890
Federal Automated Government Money Trust Fund	(392,032)	392,032
Commercial Paper	(594,240)	594,240
Federal Home Loan Bank Bonds	(7,757,875)	7,757,875
Federal Home Loan Mortgage Corporation Notes	(5,066,171)	5,066,171
Federal National Mortgage Association Notes	<u>(3,664,222)</u>	<u>3,664,222</u>
GASB Statement No. 3	<u><u>(\$627,368)</u></u>	<u><u>\$22,051,943</u></u>

NOTE 6 - PROPERTY TAXES

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

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$138,464,090	85.51%	\$145,231,540	88.95%
Public Utility	15,874,710	9.80%	10,443,880	6.40%
Tangible Personal Property	7,586,170	4.69%	7,603,940	4.65%
Total Assessed Value	<u>161,924,970</u>	<u>100.00%</u>	<u>163,279,360</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.30		\$33.30	

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (Continued)

The School District receives property taxes from Clermont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2002 was \$354,778 in the general fund, \$8,689 in the classroom facilities special revenue fund, and \$60,925 in the debt service fund.

NOTE 7 - INCOME TAX

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, income tax, accounts, intergovernmental, 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 fiscal year guarantee of federal funds.

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 8 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Fund Type/Fund	Amounts
General Fund	
Youth Contract	\$4,841
Foundation Adjustment	5,382
Reimbursement	180
Total General Fund	10,403
Special Revenue Funds:	
Drug Free Grant	12,258
Title VI-R	26,072
Title I	47,617
Title VI-B	68,352
Total Special Revenue Funds	154,299
Total All Funds	\$164,702

During fiscal year 2002, the School District was awarded \$26,352,360 for the renovation and additions to the elementary/middle school and for building a new high school under the State’s “Classroom Facilities Program.” Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Historically, the School District repaid the State. If the School District’s adjusted valuation per pupil was less than the state-side median adjusted valuation per pupil, in lieu of repayment, the School District set-aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District was required to submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expired. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. The School District issued bonds to meet the local share requirement of the grant. See Note 15 for additional information on bonds.

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$160,778
Less Accumulated Depreciation	<u>(121,650)</u>
Net Fixed Assets	<u><u>\$39,128</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 7/1/2001	Additions	Deletions	Balance at 6/30/2002
Land	\$450,478	\$1,500	\$0	\$451,978
Buildings and Improvements	7,136,986	0	0	\$7,136,986
Vehicles	42,913	0	0	\$42,913
Furniture, Fixtures and Equipment	4,429,953	694,418	349,765	\$4,774,606
Books	1,415,410	0	0	\$1,415,410
Construction in Progress	7,462,293	18,994,813	0	\$26,457,106
Totals	<u><u>\$20,938,033</u></u>	<u><u>\$19,690,731</u></u>	<u><u>\$349,765</u></u>	<u><u>\$40,278,999</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for property and fleet insurance, inland marine coverage, and for general liability insurance.

Coverage provided by Nationwide Insurance includes the following:

General Liability	\$2,000,000
Building and Contents-replacement cost (\$500 deductible)	36,935,100
Boiler and Machinery (\$500 deductible)	13,078,600
Employers' Liability	2,000,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	2,000,000
Builders Risk (\$500 deductible)	19,246,800

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

For fiscal year 2002, the School District participated in the Clermont County Health Trust (the Trust), an insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries (see Note 19).

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 State statute per 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 E. Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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, 2002, 2001, and 2000 were \$157,082, \$84,018, and \$65,730, respectively; 52.53 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$74,571 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$724,455, \$727,967, and \$423,335, respectively; 82.94 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$123,568 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$343,163 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$275,684.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Unum.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During Fiscal Year 2002, the School District entered into a lease-purchase agreement for the construction of improvements to the High School, Spaulding Middle School, and Marr/Cook Elementary School. The School District is leasing the project site from PS&W Holding Company. PS&W Holding Company assigned U.S. Bank as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is constructing the facilities and improvements from the proceeds provided by the lessor. As part of the agreement, U.S. Bank deposited \$3,045,867, with a fiscal agent for the construction and renovation project. U.S. Bank has sold certificates of participation in the building lease. The School District will make annual lease payments to U.S. Bank. Interest rates range between 2.5% and 5%. The lease is renewable annually and expires in 2021. The intention of the District is to renew the lease annually.

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

Both agreements are recorded in the general long-term obligations account group as "capital leases payable." At year end, general fixed assets being constructed under these leases have been capitalized as construction in progress in the general fixed assets account group in the amount of \$94,889. \$3,761,070, including \$4,892 of accrued interest, is still being held by the fiscal agent. Principal payments of \$135,000 were made during fiscal year 2002. The principal amount owed on the leases at year end is \$3,884,000.

In prior years, the School District entered into a capitalized lease for the acquisition of computer equipment. During fiscal year 2002, the School District entered into new capital leases for copiers and for computer equipment which replaced the prior lease. The new lease agreements are accounted for as a capital outlay expenditure in the general and capital projects funds with an offsetting amount reported as an other financing source, proceeds of capital lease. The terms of the agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$614,356 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$11,798.

In addition, the School District reduced its capital lease liability by \$223,206 in fiscal year 2002 by replacing capital leases effective in prior years with the new lease agreement.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	Long-Term Obligations
2003	\$500,174
2004	497,308
2005	498,562
2006	499,800
2007	348,952
2008-12	1,679,505
2013-17	1,226,220
2018-21	974,949
Total	6,225,470
Less: Amount Representing Interest	(1,806,348)
Present Value of Minimum Lease Payments	\$4,419,122

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 7/1/2001	Additions	Deductions	Amount Outstanding 6/30/2002
General Obligation Bonds:				
School Improvement Bonds				
7/17/00 5.60%	\$6,745,000	\$0	\$185,000	\$6,560,000
Intergovernmental Payable	119,618	142,246	119,618	142,246
Compensated Absences	1,080,930	165,488	0	1,246,418
Capital Leases Payable	223,206	4,565,920	370,004	4,419,122
Total General Long-Term Obligations	<u>\$8,168,754</u>	<u>\$4,873,654</u>	<u>\$674,622</u>	<u>\$12,367,786</u>

On July 17, 2000, the School District issued \$6,891,000 in voted general obligation bonds for the purpose of constructing a new high school. The bonds were issued with an interest rate that varies between 4.4% and 6.25% for a 23 year period with final maturity in fiscal year 2023 and will be repaid from the debt service fund.

The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the funds from which the employees are paid.

Compensated absences will be paid from the funds from which the employees' salaries are paid. Capital lease obligations will be paid from the general and capital projects funds.

The School District's overall legal debt margin was \$8,670,945, the energy conservation loan debt margin was \$1,289,514, and the unvoted debt margin was \$163,279 at June 30, 2002.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002, are as follows:

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds for Classroom Facilities

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$210,000	\$352,148	\$562,148
2004	245,000	341,735	586,735
2005	260,000	330,055	590,055
2006	280,000	317,430	597,430
2007	320,000	303,250	623,250
2008-2012	1,050,000	1,338,318	2,388,318
2013-2017	1,420,000	1,010,904	2,430,904
2018-2022	2,210,000	487,991	2,697,991
2023	565,000	15,820	580,820
	<u>\$6,560,000</u>	<u>\$4,497,651</u>	<u>\$11,057,651</u>

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the fiscal year ended June 30, 2002, follows:

Fund Type/Issue	Balance at 7/1/2001	Additions	Deductions	Balance at 6/30/2002
Capital Projects Funds				
Energy Conservation Notes				
4/14/01 3.85%	\$240,000	\$0	\$240,000	\$0
Energy Conservation Notes				
4/12/02 2.85%	0	180,000	0	180,000
Totals	<u>\$240,000</u>	<u>\$180,000</u>	<u>\$240,000</u>	<u>\$180,000</u>

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General	\$39,317	\$0
Special Revenue Fund:		
Title VI - B	0	27,334
Enterprise Fund:		
Food Service	0	11,983
Total All Funds	\$39,317	\$39,317

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. The School District has no ongoing financial interest in or responsibility for the Association. Complete financial statements for H/CCA can be obtained from Al Porter, director, at their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Hamilton/Clermont Cooperative Association - The Goshen Local School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$37,477 for services provided during the year. Complete financial statements for H/CCA can be obtained from Al Porter, director, at their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

***Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002***

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 board, 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 of Technology and Career Development. Complete financial statements for Great Oaks Institute of Technology and Career Development can be obtained from the treasurer, John Wahle, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 19 - GROUP INSURANCE PURCHASING POOL

Clermont County Health Trust - The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust 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, McElroy Minister, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit if its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. The School District paid \$1,104,408 for services provided during the year. Financial information can be obtained from Dr. Alexander, administrator of the Clermont County Health Trust, at P.O. Box 526 Middletown, Ohio 45042.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 20 - SET-ASIDE CALCULATIONS

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

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded by the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	\$48,332	\$0	\$2,132
Current Year Set-aside Requirement	297,168	297,168	0
Reduction due to new Litigation	0	0	0
Current Year Offsets	0	(575,070)	0
Qualifying Disbursements	<u>(324,574)</u>	<u>(1,500)</u>	<u>0</u>
Total	<u>\$20,926</u>	<u>(\$279,402)</u>	<u>\$2,132</u>
Reserves as of June 30,2002	<u>\$20,926</u>	<u>\$0</u>	<u>\$2,132</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future years and is therefore not presented as being carried forward to the next fiscal year. The School District also set-aside additional money in excess of statutory requirements for textbooks, capital acquisitions, and budget stabilization in the amounts of \$8,551, \$111,761, and \$332,751 respectively. These amounts are presented on the balance sheet as a designation of fund balance rather than as a reserve, and are therefore not included in restricted assets. The total reserve balance for the three set-asides at the end of the fiscal year was \$23,058.

*Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 21 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Amount Remaining on Contract</u>
Firematic, Inc.	\$102,028
Sidney Electric Company	564,365
CINFAB, Inc.	12,734
Eagle Services of Cincinnati	161,027
Fanning/Howey Associates	20,872
Beacon Electric	90,177
Apex Construction Service	413,085
Dalmation Fire, Inc.	2,178
Stephen Gross & Sons	729,972
J & H Mechanical	12,780
Debra Kuempel	50,904
Neyer Plumbing	9,592
Viox Services, Inc.	11,310
TAC Control Solutions	4,723
Jess Hauer Masonry	25,119
American Environmental	22,807
Ayer Electric, Inc.	21,791
Cincy Fire Protection	17,150
The Fred B. Debra Company	19,007
RPC Mechanical, Inc.	43,018
R. E. Schweitzer Construction Co.	40,493
Midwest Voice and Data	163,127
Total Contractual Commitments	<u><u>\$2,538,259</u></u>

Goshen Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 22 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”.

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

NOTE 23 - CONTINGENCIES

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, 2002.

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**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$47,976		\$48,048
National School Lunch Program		10.555	143,542		143,542	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>143,542</u>	<u>47,976</u>	<u>143,542</u>	<u>48,048</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-01 6BSF-02	84.027	170,722		26,633 198,056	
Total Special Education Cluster			<u>170,722</u>		<u>224,689</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1S1-00 C1S1-01 C1S1-02	84.010	53,388 258,827 312,215		16 103,239 248,687 351,942	
Drug-Free Schools Grant	DRS1-00 DRS1-01 DRS1-02	84.186	13,265 13,265		19 4,365 12,533 16,917	
Goals 2000	G2S2-01 G2S2-02	84.276			5,298 6,637 11,935	
Eisenhower Professional Development Grant	MSS1-01 MSS1-02	84.281	13,070 13,070		244 3,007 3,251	
Innovative Educational Program Strategies	C2S1-01 C2S1-02	84.298	13,854 13,854		5,362 8,531 13,893	
Technology Literacy Challenge Fund Grant	TF53-01	84.318	200,000		175,000	
Title VI-R	CR-S1-01 CR-S1-02	84.340	4,739 35,997 40,736		12,553 27,559 40,112	
School Renovation	ATS1-02	84.352	1,901		1,901	
Total Department of Education			<u>765,763</u>		<u>839,640</u>	
Totals			<u><u>\$909,305</u></u>	<u><u>\$47,976</u></u>	<u><u>\$983,182</u></u>	<u><u>\$48,048</u></u>

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

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

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

Board of Education:

We have audited the financial statements of the Goshen Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated January 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 23, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 23, 2003.

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

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

Betty Montgomery
Auditor of State

January 23, 2003



Auditor of State Betty Montgomery

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

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

To The Board of Education:

Compliance

We have audited the compliance of the Goshen Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 23, 2003.

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

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

Betty Montgomery
Auditor of State

January 23, 2003

**GOSHEN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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GOSHEN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2003**