



**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Carlisle Local School District
Warren County
724 Fairview Drive
Carlisle, Ohio 45005

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Carlisle Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, 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 generally accepted auditing standards 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, 1999, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2001, 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.

Jim Petro
Auditor of State

January 25, 2001

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**Carlisle Local School District
Warren County**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits:</i>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$595,884	\$239,707	\$0	\$24,097
Cash and Cash Equivalents:				
With Fiscal Agents	0	0	2,428	0
Receivables:				
Property Taxes	4,930,913	0	0	255,930
Accounts	9,720	3,131	0	0
Intergovernmental	22,029	10,000	0	0
Interfund Receivable	24,535	440	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	211,015	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$5,794,096	\$253,278	\$2,428	\$280,027

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals - (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$12,295	\$411,565	\$22,707	\$0	\$0	\$1,306,255
0	0	0	0	0	2,428
0	0	0	0	0	5,186,843
0	62,102	0	0	0	74,953
13,329	0	0	0	0	45,358
0	0	0	0	0	24,975
19,295	0	0	0	0	19,295
2,246	0	0	0	0	2,246
0	0	0	0	0	211,015
1,512	0	0	9,382,820	0	9,384,332
0	0	0	0	1,844,978	1,844,978
\$48,677	\$473,667	\$22,707	\$9,382,820	\$1,844,978	\$18,102,678

(Continued)

**Carlisle Local School District
Warren County**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i>Fund Equity and Other Credits:</i>				
<i>Liabilities:</i>				
Accounts Payable	\$18,162	\$7,387	\$0	\$0
Accrued Wages and Benefits	946,994	30,643	0	0
Compensated Absences Payable	12,002	0	0	0
Interfund Payable	0	975	0	0
Intergovernmental Payable	176,717	4,883	0	0
Deferred Revenue	4,752,022	0	0	245,990
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	2,428	0
Accrued Interest Payable	0	0	0	1,446
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Notes Payable	0	0	0	394,318
E.P.A. Loans Payable	0	0	0	0
Total Liabilities	5,905,897	43,888	2,428	641,754
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	172,967	167,139	0	14,292
Reserved for Property Taxes	178,891	0	0	9,940
Reserved for Bus Purchase Allowance	29,567	0	0	0
Reserved for Budget Stabilization	181,448	0	0	0
Unreserved:				
Undesignated (Deficit)	(674,674)	42,251	0	(385,959)
Total Fund Equity (Deficit) and Other Credits	(111,801)	209,390	0	(361,727)
Total Liabilities, Fund Equity and Other Credits	\$5,794,096	\$253,278	\$2,428	\$280,027

See accompanying notes to the financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals - (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$78	\$0	\$0	\$0	\$0	\$25,627
23,997	0	0	0	0	1,001,634
7,452	0	0	0	831,041	850,495
24,000	0	0	0	0	24,975
20,816	0	0	0	65,453	267,869
13,272	0	0	0	0	5,011,284
0	0	22,477	0	0	22,477
0	0	0	0	0	2,428
0	0	0	0	0	1,446
0	94,898	0	0	0	94,898
0	0	0	0	15,231	15,231
0	0	0	0	891,586	1,285,904
0	0	0	0	41,667	41,667
89,615	94,898	22,477	0	1,844,978	8,645,935
0	0	0	9,382,820	0	9,382,820
(40,938)	378,769	0	0	0	337,831
0	0	0	0	0	354,398
0	0	0	0	0	188,831
0	0	0	0	0	29,567
0	0	0	0	0	181,448
0	0	230	0	0	(1,018,152)
(40,938)	378,769	230	9,382,820	0	9,456,743
\$48,677	\$473,667	\$22,707	\$9,382,820	\$1,844,978	\$18,102,678

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**Carlisle Local School District
Warren County**

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals - (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Property Taxes	\$4,491,483	\$0	\$252,983	\$0	\$4,744,466
Intergovernmental	4,727,684	389,035	21,829	0	5,138,548
Interest	93,652	0	7,708	0	101,360
Tuition and Fees	58,997	0	0	0	58,997
Rent	1,265	0	0	0	1,265
Extracurricular Activities	14,030	84,666	0	0	98,696
Gifts and Donations	118	11,414	0	200	11,732
Miscellaneous	21,858	38,583	2,000	0	62,441
Total Revenues	9,409,087	523,698	284,520	200	10,217,505
Expenditures:					
Current:					
Instruction:					
Regular	4,360,312	64,737	0	0	4,425,049
Special	601,992	192,735	0	0	794,727
Vocational	339,758	0	0	0	339,758
Support Services:					
Pupils	627,308	49,123	0	201	676,632
Instructional Staff	399,440	47,172	0	0	446,612
Board of Education	12,464	0	0	0	12,464
Administration	706,107	17	0	0	706,124
Fiscal	290,884	0	0	0	290,884
Business	14,090	0	0	0	14,090
Operation and Maintenance of Plant	830,629	34,287	0	0	864,916
Pupil Transportation	438,978	0	0	0	438,978
Central	21,088	275	0	0	21,363
Operation of Non-Instructional Services					
Extracurricular Activities	192,501	0	0	0	192,501
Capital Outlay	0	0	462,301	0	462,301
Debt Service:					
Principal Retirement	62,557	0	0	0	62,557
Interest and Fiscal Charges	18,949	0	54,516	0	73,465
Total Expenditures	8,917,617	476,492	516,817	201	9,911,127
Excess of Revenues Over (Under) Expenditures	491,470	47,206	(232,297)	(1)	306,378
Other Financing Sources (Uses):					
Proceeds of Sale of Fixed Assets	7,550	0	0	0	7,550
Operating Transfers In	0	518	0	0	518
Operating Transfers Out	(518)	0	0	0	(518)
Total Other Financing Sources (Uses)	7,032	518	0	0	7,550
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	498,502	47,724	(232,297)	(1)	313,928
Fund Balances (Deficit) at Beginning of Year	(610,303)	161,666	(129,430)	231	(577,836)
Fund Balances (Deficit) at End of Year	(\$111,801)	\$209,390	(\$361,727)	\$230	(\$263,908)

See accompanying notes to the financial statements.

**Carlisle Local School District
Warren County**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999**

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Property Taxes	\$4,458,735	\$4,453,009	(\$5,726)	\$0	\$0	\$0
Intergovernmental	4,706,555	4,706,555	0	379,035	379,035	0
Interest	93,022	93,022	0	0	0	0
Tuition and Fees	58,642	58,642	0	0	0	0
Rent	1,265	1,265	0	0	0	0
Extracurricular Activities	14,030	14,030	0	83,804	83,804	0
Gifts and Donations	118	118	0	11,414	11,414	0
Miscellaneous	8,235	8,235	0	36,314	36,314	0
Total Revenues	<u>9,340,602</u>	<u>9,334,876</u>	<u>(5,726)</u>	<u>510,567</u>	<u>510,567</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,322,374	4,299,740	22,634	68,997	67,265	1,732
Special	640,753	631,076	9,677	303,279	303,279	0
Vocational	348,355	344,378	3,977	0	0	0
Other	86,510	86,510	0	0	0	0
Support Services:						
Pupils	651,277	637,838	13,439	61,519	56,670	4,849
Instructional Staff	405,042	400,154	4,888	77,818	76,444	1,374
Board of Education	15,555	12,547	3,008	0	0	0
Administration	713,675	708,307	5,368	495	345	150
Fiscal	308,458	301,331	7,127	150	50	100
Business	17,012	14,330	2,682	0	0	0
Operation and Maintenance of Plant	1,005,714	927,600	78,114	45,569	44,970	599
Pupil Transportation	582,933	533,602	49,331	0	0	0
Central	33,077	31,292	1,785	1,038	408	630
Operation of Non-Instructional Services	1,352	560	792	118,846	96,978	21,868
Extracurricular Activities	198,665	193,179	5,486	0	0	0
Debt Service:						
Principal Retirement	49,225	49,225	0	0	0	0
Interest and Fiscal Charges	17,792	17,792	0	0	0	0
Total Expenditures	<u>9,397,769</u>	<u>9,189,461</u>	<u>208,308</u>	<u>677,711</u>	<u>646,409</u>	<u>31,302</u>
Excess of Revenues Over (Under) Expenditures	<u>(57,167)</u>	<u>145,415</u>	<u>202,582</u>	<u>(167,144)</u>	<u>(135,842)</u>	<u>31,302</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	7,550	7,550	0	0	0	0
Refund of Prior Year Expenditures	13,338	13,338	0	0	0	0
Advances In	0	0	0	525	525	0
Advances Out	(85)	(85)	0	(441)	(440)	1
Refund of Prior Year Receipts	(8,940)	(8,940)	0	0	0	0
Other Financing Uses	0	0	0	(9,389)	0	9,389
Operating Transfers In	0	0	0	518	518	0
Operating Transfers Out	(518)	(518)	0	0	0	0
Total Other Financing Sources (Uses)	<u>11,345</u>	<u>11,345</u>	<u>0</u>	<u>(8,787)</u>	<u>603</u>	<u>9,390</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(45,822)</u>	<u>156,760</u>	<u>202,582</u>	<u>(175,931)</u>	<u>(135,239)</u>	<u>40,692</u>
Fund Balances at Beginning of Year	307,892	307,892	0	95,588	95,588	0
Prior Year Encumbrances Appropriated	<u>147,133</u>	<u>147,133</u>	<u>0</u>	<u>105,837</u>	<u>105,837</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$409,203</u>	<u>\$611,785</u>	<u>\$202,582</u>	<u>\$25,494</u>	<u>\$66,186</u>	<u>\$40,692</u>

See accompanying notes to the financial statements.

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$253,305	\$253,069	(\$236)	\$0	\$0	\$0
21,829	21,829	0	0	0	0
7,708	7,708	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	200	200	0
2,000	2,000	0	0	0	0
<u>284,842</u>	<u>284,606</u>	<u>(236)</u>	<u>200</u>	<u>200</u>	<u>0</u>
74,948	74,948	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	476	201	275
4,552	4,552	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
4,364	4,364	0	0	0	0
0	0	0	0	0	0
429,048	429,048	0	0	0	0
191	191	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
131,440	131,440	0	0	0	0
53,070	53,070	0	0	0	0
<u>697,613</u>	<u>697,613</u>	<u>0</u>	<u>476</u>	<u>201</u>	<u>275</u>
<u>(412,771)</u>	<u>(413,007)</u>	<u>(236)</u>	<u>(276)</u>	<u>(1)</u>	<u>275</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(412,771)	(413,007)	(236)	(276)	(1)	275
78,509	78,509	0	231	231	0
<u>344,303</u>	<u>344,303</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$10,041</u>	<u>\$9,805</u>	<u>(\$236)</u>	<u>(\$45)</u>	<u>\$230</u>	<u>\$275</u>

**Carlisle Local School District
Warren County**

**Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999**

	Enterprise	Internal Service	Totals - (Memorandum Only)
<i>Operating Revenues:</i>			
Sales	\$382,937	\$0	\$382,937
Charges for Services	0	705,770	705,770
Other	14	62,102	62,116
	<u>382,951</u>	<u>767,872</u>	<u>1,150,823</u>
<i>Operating Expenses:</i>			
Salaries	161,460	0	161,460
Fringe Benefits	52,409	0	52,409
Purchased Services	6,728	205,701	212,429
Materials and Supplies	21,642	0	21,642
Cost of Sales	247,664	0	247,664
Depreciation	1,683	0	1,683
Claims	0	1,101,964	1,101,964
Other	747	0	747
	<u>492,333</u>	<u>1,307,665</u>	<u>1,799,998</u>
Total Operating Expenses			
Operating Loss	<u>(109,382)</u>	<u>(539,793)</u>	<u>(649,175)</u>
<i>Non-Operating Revenues:</i>			
Federal Donated Commodities	16,990	0	16,990
Interest	2,771	0	2,771
Federal and State Subsidies	82,008	0	82,008
	<u>101,769</u>	<u>0</u>	<u>101,769</u>
Total Non-Operating Revenues			
Net Loss	(7,613)	(539,793)	(547,406)
Retained Earnings (Deficit) Beginning of Year	<u>(33,325)</u>	<u>918,562</u>	<u>885,237</u>
Retained Earnings (Deficit) at End of Year	<u>(\$40,938)</u>	<u>\$378,769</u>	<u>\$337,831</u>

See accompanying notes to the financial statements.

**Carlisle Local School District
Warren County**

**Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999**

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$382,949	\$382,949	\$0	\$0	\$0	\$0
Interest	2,771	2,771	0	0	0	0
Charges for Services	0	0	0	705,770	705,770	0
Federal and State Subsidies	79,416	79,416	0	0	0	0
Other	15	15	0	0	0	0
Total Revenues	<u>465,151</u>	<u>465,151</u>	<u>0</u>	<u>705,770</u>	<u>705,770</u>	<u>0</u>
Expenses:						
Salaries	165,640	165,581	59	0	0	0
Fringe Benefits	57,222	56,231	991	1,222,594	1,222,304	290
Purchased Services	7,273	6,728	545	137,660	132,091	5,569
Materials and Supplies	262,213	260,430	1,783	0	0	0
Other	747	747	0	0	0	0
Total Expenses	<u>493,095</u>	<u>489,717</u>	<u>3,378</u>	<u>1,360,254</u>	<u>1,354,395</u>	<u>5,859</u>
Excess of Revenues Over (Under) Expenses	(27,944)	(24,566)	3,378	(654,484)	(648,625)	5,859
Fund Equity at Beginning of Year	32,356	32,356	0	1,060,190	1,060,190	0
Prior Year Encumbrances Appropriated	3,159	3,159	0	0	0	0
Fund Equity at End of Year	<u>\$7,571</u>	<u>\$10,949</u>	<u>\$3,378</u>	<u>\$405,706</u>	<u>\$411,565</u>	<u>\$5,859</u>

See accompanying notes to the financial statements.

**Carlisle Local School District
Warren County**

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$382,949	\$0	\$382,949
Cash Received from Quasi-External Transactions With Other Funds	0	705,770	705,770
Cash Received from Other Operating Sources	15	0	15
Cash Payments to Suppliers for Goods and Services	(265,812)	(205,701)	(471,513)
Cash Payments to Employees for Services	(165,581)	0	(165,581)
Cash Payments for Employee Benefits	(56,231)	0	(56,231)
Cash Payments for Claims	0	(1,148,694)	(1,148,694)
Cash Payments for Other Operating Expenses	(747)	0	(747)
Net Cash Used for Operating Activities	(105,407)	(648,625)	(754,032)
<i>Cash Flows from Noncapital Financing Activities:</i>			
Operating Grants Received	79,416	0	79,416
<i>Cash Flows from Investing Activities:</i>			
Interest on Investments	2,771	0	2,771
Net Decrease in Cash and Cash Equivalents	(23,220)	(648,625)	(671,845)
Cash and Cash Equivalents at Beginning of Year	35,515	1,060,190	1,095,705
Cash and Cash Equivalents at End of Year	\$12,295	\$411,565	\$423,860
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</i>			
Operating Loss	(\$109,382)	(\$539,793)	(\$649,175)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>			
Donated Commodities Used During Year	16,990	0	16,990
Depreciation	1,683	0	1,683
<i>Changes in Assets and Liabilities:</i>			
Decrease (Increase) in Accounts Receivable	13	(62,102)	(62,089)
Increase in Materials and Supplies Inventory	(441)	0	0
Increase in Inventory held for Resale	(2,694)	0	0
Decrease in Claims Payable	0	(46,730)	(46,730)
Decrease in Accounts Payable	(3,633)	0	(3,633)
Decrease in Accrued Wages and Benefits	(2,550)	0	(2,550)
Decrease in Compensated Absences Payable	(1,494)	0	(1,494)
Decrease in Intergovernmental Payable	(3,899)	0	(3,899)
Total Adjustments	3,975	(108,832)	(104,857)
Net Cash Used for Operating Activities	(\$105,407)	(\$648,625)	(\$754,032)

See accompanying notes to the financial statements.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the School District and Reporting Entity

Carlisle Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 11.7 square miles. It is located in Warren and Montgomery Counties, and includes all of the Village of Carlisle and portions of Miami and Franklin Townships. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 60 non-certified and 118 certificated full time teaching personnel who provide services to 1,750 students.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Carlisle Local School District, this includes general operations, food service, preschool 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 for the organization. The School District has no component units.

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

These entities are the Village of Carlisle, Parent Teacher Organizations and the Carlisle Educational Foundation.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 1 - Description of the School District and Reporting Entity (Continued)

The School District is associated with two jointly governed organizations: the Southwestern Ohio Computer Association (SWOCA) and Miami Valley Career Technology Center. The School District is also associated with one insurance purchasing pool: Southwestern Ohio Educational Purchasing Council. These organizations are presented in Note 17 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Carlisle 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 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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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 proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

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 Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or 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 debt principal, interest, and related costs.

Capital Projects Funds 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 proprietary funds or trust funds.)

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund The enterprise fund is used to account for operations 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.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types 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 fiduciary funds include an expendable trust and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District's agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations 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 proprietary or trust funds.

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 proprietary or trust funds.

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 and the expendable trust fund 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 fund types 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. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., 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, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes whose availability is indeterminable have been recorded 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations 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 object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

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 County Budget Commission for rate determination.

Estimated Resources By April 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 final amended certificate issued during fiscal year 1999.

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 at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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, one supplemental appropriations were legally enacted; however, this amendment was not significant.

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

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

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. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. 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 proprietary funds.

Lapsing of Appropriations At the close of each 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.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, 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 agent" and represents deposits.

During fiscal year 1999, investments were limited to STAR Ohio and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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, 1999.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

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 1999 amounted to \$93,652, which includes \$44,007 assigned from other School District funds. In addition, the capital improvement capital projects fund and lunchroom enterprise fund received \$7,708 and \$2,771, respectively, in interest revenue.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, non-food.

F. 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. Fixed assets utilized in the proprietary funds are capitalized in the respective 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 dates received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Excellence in Education
Educational Management Information System
School Net Professional Development
Textbook Subsidy
Title VI-B
Title I
Title VI
Drug Free Schools Program
Public School Preschool

Capital Projects Funds

Permanent Improvement Construction Grant
Vocational Education - Matching Funds
School Net

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

Reimbursable Grants

General Fund

Driver Education

Vocational Education Travel/Salary

Special Revenue Fund

E-Rate

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to fifty percent of governmental fund revenue during the 1999 fiscal year.

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees after fifteen years of service.

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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

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 expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Long-term notes and loans and capital leases are recognized as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds receiving the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

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 for 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 established for encumbrances, property taxes, bus purchase allowance, and budget stabilization.

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.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies - (Continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. 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.

O. 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, results of operations, or cash flows 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

The following fund had a deficit fund balance/retained earnings at June 30, 1999:

	<u>Deficit Fund Balance</u>
General Fund	\$111,801
Special Revenue Funds:	
Ohio Children's Trust	445
Title VI	455
Capital Projects Fund:	
Permanent Improvement	361,727
Enterprise Fund:	
Food Service	40,938

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 3 - Accountability - (Continued)

The District is monitoring the general fund deficit and will take appropriate action if deemed necessary. The Ohio children's trust and title VI special revenue funds, permanent improvement capital projects fund and food service enterprise fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/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 Expendable Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), All Proprietary Fund Types 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:

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 disclosures in the proprietary fund types (GAAP basis).
4. Principal payment on bonds are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 4 - Budgetary Basis of Accounting - (Continued)

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 and Similar Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$498,502	\$47,724	(\$232,297)	(\$1)
Revenue Accruals	(69,813)	(13,131)	86	0
Expenditure Accruals	(81,531)	4,357	(35,064)	0
Principal Payments	0	0	(131,440)	0
Advances	(85)	85	0	0
Encumbrances	(190,313)	(174,274)	(14,292)	0
Budget Basis	\$156,760	(\$135,239)	(\$413,007)	(\$1)

Net Loss/Excess of Revenues
Under Expenses
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$7,613)	(\$539,793)
Revenue Accruals	(2,579)	(62,102)
Expense Accruals	(17,846)	(46,730)
Depreciation Expense	1,683	0
Material and Supplies Inventory	441	0
Inventory Held For Resale	2,694	0
Encumbrances	(1,346)	0
Budget Basis	(\$24,566)	(\$648,625)

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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 the Board of Education has identified as not required for use within the current two 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 money 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;

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 5 - Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys 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 year end, the carrying amount of the School District's deposits was (\$35,572) and the bank balance was \$160,892. Of the bank balance:

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 5 - Deposits and Investments (Continued)

1. \$157,844 was covered by federal depository insurance; and
2. \$3,048 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered 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 investments since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$317,371	\$317,371	\$321,858
STAR Ohio	0	1,237,899	1,237,899
Totals	\$317,371	\$1,555,270	\$1,559,757

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 Accounts." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$1,519,698	\$0
Investments:		
Repurchase Agreement	(317,371)	317,371
STAR Ohio	(1,237,899)	1,237,899
GASB Statement No. 3	(\$35,572)	\$1,555,270

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. 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 later 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.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 6 - Property Taxes (Continued)

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$92,983,610	64.49 %	\$95,403,390	64.39 %
Public Utility Personal	46,484,320	32.24	46,785,270	31.58
Tangible Personal Property	4,708,092	3.27	5,973,885	4.03
Total	\$144,176,022	100.00 %	\$148,162,545	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$46.29		 \$53.10	

The School District receives property taxes from Warren and Montgomery Counties. The County Auditors 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Carlisle Local School District. The County Auditor periodically remits to the School District its portion of taxes. 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, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$178,891 in the general fund and \$9,940 in the capital improvement capital projects fund.

Note 7 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 7 - Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
MRDD Reimbursement	\$720
EPC Refund	<u>21,309</u>
Total General Fund	<u>22,029</u>
Special Revenue Fund:	
School to Work Grant	<u>10,000</u>
Enterprise Funds:	
National School Lunch Program	<u>13,329</u>
Total Intergovernmental Receivables	<u><u>\$45,358</u></u>

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$141,607
Less: accumulated depreciation	<u>(140,095)</u>
Net Fixed Assets	<u><u>\$1,512</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<u>Balance 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/99</u>
Buildings and Improvements	\$5,622,899	\$145,440	\$0	\$5,768,339
Land	325,500	0	0	325,500
Furniture and Equipment	2,101,769	131,202	7,460	2,225,511
Vehicles	1,012,910	50,560	0	1,063,470
Total General Fixed Assets	<u><u>\$9,063,078</u></u>	<u><u>\$327,202</u></u>	<u><u>\$7,460</u></u>	<u><u>\$9,382,820</u></u>

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 9 - Risk Management

A. Property and Liability

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. For fiscal year 1999, the School District contracted with Indiana Insurance Casualty Company for property.

Professional liability is protected by The Nationwide Insurance Company and hold a \$500 deductible for collision and a \$100 deductible for comprehensive. Automobile liability has a \$500,000 combined single limit of liability. The Nationwide Insurance Company maintains professional liability with a \$5,000,000 aggregate limit.

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 CompManagement of Ohio provides administrative, cost control and actuarial services to the GRP.

B. Employee Medical Benefits

The School District has elected to provide employee medical/surgical benefits through a self-insurance internal service fund. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$100 single and \$200 family deductible. A third party administrator, Klais & Company, Inc. located in Akron, Ohio, reviews all claims which are then paid by the School District. The School District pays into the self-insurance internal service fund \$584 for family and \$250 for single coverage per month which presents ninety and ninety-five percent of the premium required respectively. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insurance basis through the self-insurance internal service fund. The School District pays \$39 per month per employee which presents the entire premium. The District did not pay any premiums for employee

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 9 - Risk Management (Continued)

benefits in December and January of the fiscal year. The District had an excess in the self-insurance fund that allowed this to occur.

The claims liability of \$94,898 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$100,882	\$785,025	\$744,279	\$141,628
1999	141,628	1,101,964	1,148,694	94,898

Note 10 - 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 public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligation with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 10 - Defined Benefit Pension Plans (Continued)

of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$96,948, \$149,438, and \$138,822, respectively; 46 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$52,549 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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. The 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, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation 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, 1999, 1998, and 1997 were \$259,628, \$495,374, and \$595,080, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$50,599 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Note 11 - 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 funded on a pay-as-you-go basis.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 11 - Postemployment Benefits (Continued)

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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$346,171 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$106,701.

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 125 percent of the annual health care expenses. Expenses for health care the June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Assistant Superintendent and Treasurer. 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 215 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Personal leave can be converted to sick leave at the end of the fiscal year up to a maximum of nine sick days overall.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Company.

Note 13 - Capitalized Leases - Lessee Disclosure

In prior years, the School District has entered into capitalized leases for furniture, fixtures and 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 have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$64,793. This amount represents the present value of the 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 1999 totaled \$18,210 in the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 13 - Capitalized Leases - Lessee Disclosure - (Continued)

Fiscal Year Ending June 30,	General Long-Term Obligations
2000	\$14,484
2001	1,207
Total minimum lease payments	15,691
Less: amount representing interest	(460)
Present value of minimum lease payments	\$15,231

Note 14 - Note Debt

	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Permanent Improvements Capital Projects Fund:				
Tax Anticipation Notes				
4.40% 4/1/2000	\$525,758	\$0	\$131,440	\$394,318

The April 1, 1998 issue consists of five notes of the denomination of \$131,439.50 each. The notes are payable on the first day of November, 1998 through 2002. The notes are designated "Permanent Improvement Tax Anticipation Notes" and are payable solely from the proceeds of an additional voted tax levied as prescribed by law outside of the ten-mill limitation upon all of the taxable property within the school district. Payments will be made from the Permanent Improvement Capital Projects Fund.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Debt:				
EPA Loan 1989 0.00%	\$47,223	\$0	\$5,556	\$41,667
Lebanon Citizens Bank Installment Payment Note 1998	935,255	0	43,669	891,586

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 15 - Long-Term Obligations (Continued)

Other Long-Term Obligations:

Capital Lease Payable	33,441	0	18,210	15,231
Compensated Absences Payable	859,900	0	28,859	831,041
Intergovernmental Payable	78,946	65,453	78,946	65,453
Total General Long-Term Obligations	<u>\$1,954,765</u>	<u>\$65,453</u>	<u>\$175,240</u>	<u>\$1,844,978</u>

On May 1, 1989, the School District issued \$97,218 in energy conservation loans for the purpose of remodeling that would significantly reduce energy consumption in buildings owned by the District. The bonds were issued for a nineteen year period with final maturity at July 31, 2007. The bonds are being retired from the general fund.

The District issued a School Energy Conservation Improvement Installment Payment Note, dated May 1, 1998 which will mature on May 1, 2013. The proceeds of this note are to be used for energy conservation measures including installations, modifications, or remodeling to reduce energy consumption in buildings owned by the District in a proposed project which was approved by the Ohio School Facilities Commission. Unless paid from other sources, the note will be payable from an ad valorem tax to be levied upon all taxable property in the School District within the limitations prescribed by law. The general obligation debt will be paid from the general fund.

The capital lease obligation will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$12,048,725 with an energy conservation debt margin of \$1,291,796 and an unvoted debt margin of \$148,163 at June 30, 1999.

Principal requirements to retire long-term notes and loans outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$51,365	\$43,688	\$95,053
2001	53,610	41,443	95,053
2002	55,964	39,088	95,052

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 15 - Long-Term Obligations (Continued)

2003	58,434	36,618	95,052
2004	61,025	34,028	95,053
2005-2009	334,766	126,604	461,370
2010-2013	318,089	39,897	357,986
Total	\$933,253	\$361,366	\$1,294,619

Note 16 - Interfund Receivables/Payables

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$24,535	\$0
Special Revenue Funds		
Public School Support	440	0
District Managed Activities	0	440
Children's Trust	0	535
Total Special Revenue Funds	440	975
Enterprise Fund		
Food Service	0	24,000
Total	\$24,975	\$24,975

Note 17 - Jointly Governed Organizations/Insurance Purchasing Pool

A. Southwestern Ohio Computer Association

Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed 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. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 28 school districts. During fiscal year 1999, the School District paid \$55,794 to SWOCA. Financial information can be obtained by contacting SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio, 45011-2241.

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 17 - Jointly Governed Organizations/Insurance Purchasing Pool - (Continued)

B. Miami Valley Career Technology Center

The Miami Valley Career Technology Center, a jointly governed organization, is a district political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the participating school districts' elected board, which possess its own budgeting and taxing authority. Accordingly, the Miami Valley Career Technology Center is not part of the District and its operations are not included as part of the reporting entity. During fiscal year 1999, the School District did not make any contributions to the Miami Valley Career Technology Center. Financial information can be obtained by contacting the Miami Valley Career Technology Center at 3800 Hoke Road, Clayton, Ohio 45315.

C. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 1999, the School District paid \$2,222 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Note 18 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,064,242 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Plea in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 18 - State School Funding Decision - (Continued)

and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

Note 19 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives grant monies for school bus purchases. The year-end balance of this grant is shown as a reserve for bus purchase allowance.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$107,240	\$107,240
Current Year Set-aside Requirement	148,415	148,415	74,208	371,038
Current Year Offsets	(25,369)	(252,553)	0	(277,922)
Qualifying Disbursements	<u>(123,046)</u>	<u>0</u>	<u>0</u>	<u>(123,046)</u>
Total	<u>0</u>	<u>(104,138)</u>	<u>181,448</u>	<u>\$77,310</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>(\$104,138)</u>	\$181,448	
Amount restricted for Bus Purchase Allowance			<u>29,567</u>	
Total Restricted Assets			<u>\$211,015</u>	

Carlisle Local School District
Warren County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 19 - Set-Aside Calculations (Continued)

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, for the textbooks reserve these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the textbooks reserve. Since the District had a permanent improvement levy which was used as a current year offset, the extra amount may be used to reduce the set aside requirements of future years. Negative amounts are presented as being carried forward to the next year.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement 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, 1999.

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Carlisle Local School District
Warren County
724 Fairview Drive
Carlisle, Ohio 45005

To the Board of Education:

We have audited the financial statements of Carlisle Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated January 25, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 25, 2001.

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 25, 2001.

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

Jim Petro
Auditor of State

January 25, 2001



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CARLISLE LOCAL SCHOOL DISTRICT

WARREN 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
FEBRUARY 13, 2001**