



**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**Auditor of State  
Betty Montgomery**



**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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**Auditor of State  
Betty Montgomery**

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

March 26, 2003

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**CARLISLE LOCAL SCHOOL DISTRICT**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Assets and Other Debits:</u></b>			
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$916,231	\$226,566	\$84,162
<i>Receivables:</i>			
Property Taxes	4,446,566	0	308,456
Accounts	12,271	369	0
Intergovernmental	0	31,559	0
Accrued Interest	2,280	0	0
Interfund Receivable	278,067	440	0
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	109,575	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	500,022
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<b><u>Other Debits:</u></b>			
Amount to be Provided from General Government Resources for the Retirement of General Long-Term Obligations	0	0	0
<i>Total Assets and Other Debits</i>	<u>\$5,764,990</u>	<u>\$258,934</u>	<u>\$892,640</u>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$195	\$213,490	\$20,236	\$0	\$0	\$1,460,880
0	0	0	0	0	4,755,022
0	0	0	0	0	12,640
20,959	0	0	0	0	52,518
0	0	0	0	0	2,280
0	0	0	0	0	278,507
7,401	0	0	0	0	7,401
2,176	0	0	0	0	2,176
0	0	0	0	0	109,575
0	0	0	0	0	500,022
4,654	0	0	10,352,840	0	10,357,494
0	0	0	0	2,266,542	2,266,542
<u>\$35,385</u>	<u>\$213,490</u>	<u>\$20,236</u>	<u>\$10,352,840</u>	<u>\$2,266,542</u>	<u>\$19,805,057</u>

(continued)

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Liabilities, Fund Equity, and Other Credits:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$115,036	\$1,680	\$12,352
Accrued Wages and Benefits	1,392,748	24,925	0
Compensated Absences Payable	17,762	0	0
Interfund Payable	0	3,662	0
Intergovernmental Payable	256,489	4,212	0
Deferred Revenue	4,265,967	2,187	294,844
Undistributed Monies	0	0	0
Claims Payable	0	0	0
Notes Payable	0	0	0
Energy Conservation Loan Payable	0	0	0
Capital Lease Payable	0	0	0
Tax Refund Payable	0	0	0
<i>Total Liabilities</i>	6,048,002	36,666	307,196
<b><u>Fund Equity and Other Credits:</u></b>			
Investment in General Fixed Assets	0	0	0
<i>Retained Earnings (Deficit):</i>			
Unreserved	0	0	0
<i>Fund Balance (Deficit):</i>			
Reserved for Encumbrances	64,332	21,715	484,230
Reserved for Property Taxes	180,599	0	13,612
Reserved for Capital Lease	0	0	500,022
Reserved for Budget Stabilization	109,575	0	0
<i>Unreserved:</i>			
Undesignated	(637,518)	200,553	(412,420)
<i>Total Fund Equity and Other Credits</i>	(283,012)	222,268	585,444
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$5,764,990	\$258,934	\$892,640

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$129,068
28,058	0	0	0	0	1,445,731
31,723	0	0	0	894,845	944,330
74,845	200,000	0	0	0	278,507
26,862	0	0	0	94,937	382,500
0	0	0	0	0	4,562,998
0	0	20,037	0	0	20,037
0	219,750	0	0	0	219,750
0	0	0	0	747,316	747,316
0	0	0	0	25,000	25,000
0	0	0	0	500,000	500,000
0	0	0	0	4,444	4,444
<u>161,488</u>	<u>419,750</u>	<u>20,037</u>	<u>0</u>	<u>2,266,542</u>	<u>9,259,681</u>
0	0	0	10,352,840	0	10,352,840
(126,103)	(206,260)	0	0	0	(332,363)
0	0	0	0	0	570,277
0	0	0	0	0	194,211
0	0	0	0	0	500,022
0	0	0	0	0	109,575
0	0	199	0	0	(849,186)
<u>(126,103)</u>	<u>(206,260)</u>	<u>199</u>	<u>10,352,840</u>	<u>0</u>	<u>10,545,376</u>
<u>\$35,385</u>	<u>\$213,490</u>	<u>\$20,236</u>	<u>\$10,352,840</u>	<u>\$2,266,542</u>	<u>\$19,805,057</u>

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**CARLISLE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances (Deficit)**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b><u>Revenues:</u></b>					
Property Taxes	\$4,511,548	\$0	\$257,723	\$0	\$4,769,271
Intergovernmental	6,660,814	508,407	89,901	0	7,259,122
Interest	61,475	0	22	0	61,497
Tuition and Fees	85,814	0	0	0	85,814
Extracurricular Activities	14,495	90,581	0	0	105,076
Miscellaneous	22,440	35,527	0	600	58,567
<i>Total Revenues</i>	<u>11,356,586</u>	<u>634,515</u>	<u>347,646</u>	<u>600</u>	<u>12,339,347</u>
<b><u>Expenditures:</u></b>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	5,622,153	91,836	57,958	0	5,771,947
Special	1,165,924	257,221	0	0	1,423,145
Vocational	297,037	0	0	0	297,037
Other	57,344	1,400	0	0	58,744
<i>Support Services:</i>					
Pupils	869,174	28,859	0	359	898,392
Instructional Staff	655,646	98,944	15	0	754,605
Board of Education	27,532	0	0	0	27,532
Administration	1,005,858	5,000	480	0	1,011,338
Fiscal	371,081	78	4,596	0	375,755
Business	22,089	0	0	0	22,089
Operation and Maintenance of Plant	1,122,484	10,495	30,615	0	1,163,594
Pupil Transportation	575,256	0	0	0	575,256
Central	31,273	597	0	0	31,870
Operation of Non-Instructional Services	4,062	0	0	0	4,062
Extracurricular Activities	322,316	86,997	3,510	0	412,823
<i>Debt Service:</i>					
Principal Retirement	5,555	0	50,408	0	55,963
Interest and Fiscal Charges	0	0	43,921	0	43,921
<i>Total Expenditures</i>	<u>12,154,784</u>	<u>581,427</u>	<u>191,503</u>	<u>359</u>	<u>12,928,073</u>
Excess of Revenues Over (Under) Expenditures	(798,198)	53,088	156,143	241	(588,726)
<b><u>Other Financing Sources:</u></b>					
Proceeds from Sale of Fixed Assets	5,639	0	0	0	5,639
Proceeds from Capital Lease	0	0	500,000	0	500,000
<i>Total Other Financing Sources</i>	<u>5,639</u>	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>505,639</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(792,559)	53,088	656,143	241	(83,087)
Fund Balances (Deficit) at Beginning of Year	<u>509,547</u>	<u>169,180</u>	<u>(70,699)</u>	<u>(42)</u>	<u>607,986</u>
Fund Balances (Deficit) at End of Year	<u>(\$283,012)</u>	<u>\$222,268</u>	<u>\$585,444</u>	<u>\$199</u>	<u>\$524,899</u>

See accompanying notes to the general purpose financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**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, 2002**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$4,662,047	\$4,662,047	\$0	\$0	\$0	\$0
Intergovernmental	6,660,814	6,660,814	0	517,576	517,576	0
Interest	65,666	65,666	0	0	0	0
Tuition and Fees	85,858	85,858	0	0	0	0
Extracurricular Activities	14,495	14,495	0	90,948	90,948	0
Miscellaneous	32,097	32,097	0	37,759	37,759	0
<i>Total Revenues</i>	<u>11,520,977</u>	<u>11,520,977</u>	<u>0</u>	<u>646,283</u>	<u>646,283</u>	<u>0</u>
<b><u>Expenditures:</u></b>						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	5,580,752	5,523,219	57,533	118,246	98,957	19,289
Special	1,142,112	1,119,796	22,316	324,170	299,212	24,958
Vocational	296,434	295,952	482	0	0	0
Other	66,965	65,015	1,950	1,400	1,400	0
<i>Support Services:</i>						
Pupils	927,713	868,219	59,494	38,392	30,787	7,605
Instructional Staff	652,162	646,199	5,963	119,323	106,138	13,185
Board of Education	32,180	27,272	4,908	0	0	0
Administration	1,017,666	985,317	32,349	6,183	5,622	561
Fiscal	396,819	366,481	30,338	100	78	22
Business	33,666	23,090	10,576	0	0	0
Operation and Maintenance of Plant	1,237,529	1,120,920	116,609	20,120	10,495	9,625
Pupil Transportation	596,692	555,099	41,593	0	0	0
Central	43,483	31,273	12,210	697	597	100
Operation of Non-Instructional Services	4,269	4,062	207	0	0	0
Extracurricular Activities	354,047	335,245	18,802	131,052	89,587	41,465
<i>Debt Service:</i>						
Principal Retirement	5,555	5,555	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>12,388,044</u>	<u>11,972,714</u>	<u>415,330</u>	<u>759,683</u>	<u>642,873</u>	<u>116,810</u>
Excess of Revenues Over (Under) Expenditures	(867,067)	(451,737)	415,330	(113,400)	3,410	116,810
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	5,639	5,639	0	0	0	0
Proceeds from Sale of Long-Term Notes	0	0	0	0	0	0
Advances In	55,187	55,187	0	2,687	2,687	0
Advances Out	(224,000)	(223,532)	468	(55,234)	(55,187)	47
Operating Transfers Out	(20,000)	0	20,000	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(183,174)</u>	<u>(162,706)</u>	<u>20,468</u>	<u>(52,547)</u>	<u>(52,500)</u>	<u>47</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,050,241)	(614,443)	435,798	(165,947)	(49,090)	116,857
Fund Balances at Beginning of Year	1,176,619	1,176,619	0	138,008	138,008	0
Prior Year Encumbrances Appropriated	313,178	313,178	0	114,252	114,252	0
Fund Balances at End of Year	<u>\$439,556</u>	<u>\$875,354</u>	<u>\$435,798</u>	<u>\$86,313</u>	<u>\$203,170</u>	<u>\$116,857</u>

See accompanying notes to the general purpose financial statements.

			Fiduciary Fund Type		
Capital Project Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$260,805	\$260,805	\$0	\$0	\$0	\$0
89,901	89,901	0	0	0	0
22	22	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	600	600	0
<u>350,728</u>	<u>350,728</u>	<u>0</u>	<u>600</u>	<u>600</u>	<u>0</u>
66,613	56,587	10,026	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	500	401	99
15	15	0	0	0	0
0	0	0	0	0	0
480	480	0	0	0	0
4,596	4,596	0	0	0	0
0	0	0	0	0	0
492,918	491,500	1,418	0	0	0
13,100	13,100	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,600	3,510	90	0	0	0
181,847	181,847	0	0	0	0
44,872	44,872	0	0	0	0
<u>808,041</u>	<u>796,507</u>	<u>11,534</u>	<u>500</u>	<u>401</u>	<u>99</u>
(457,313)	(445,779)	11,534	100	199	99
0	0	0	0	0	0
500,000	500,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
42,687	54,221	11,534	100	199	99
21,103	21,103	0	2	2	0
23,894	23,894	0	0	0	0
<u>\$87,684</u>	<u>\$99,218</u>	<u>\$11,534</u>	<u>\$102</u>	<u>\$201</u>	<u>\$99</u>

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues,**  
**Expenses and Changes in Retained Earnings (Deficit)**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 2002**

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Sales	\$435,153	\$0	\$435,153
Charges for Services	0	1,466,382	1,466,382
Other Revenues	209	0	209
<i>Total Operating Revenues</i>	<u>435,362</u>	<u>1,466,382</u>	<u>1,901,744</u>
<b><u>Operating Expenses:</u></b>			
Salaries	196,851	0	196,851
Fringe Benefits	77,643	0	77,643
Purchased Services	1,722	292,796	294,518
Material and Supplies	47,677	0	47,677
Cost of Sales	278,912	0	278,912
Depreciation	1,171	0	1,171
Claims	0	1,408,175	1,408,175
Other Expenses	882	0	882
<i>Total Operating Expenses</i>	<u>604,858</u>	<u>1,700,971</u>	<u>2,305,829</u>
Operating (Loss)	(169,496)	(234,589)	(404,085)
<b><u>Nonoperating Revenues:</u></b>			
Federal Donated Commodities	26,674	0	26,674
Interest Income	654	2,517	3,171
Federal and State Subsidies	83,218	0	83,218
<i>Total Nonoperating Revenues</i>	<u>110,546</u>	<u>2,517</u>	<u>113,063</u>
Net (Loss)	(58,950)	(232,072)	(291,022)
Retained Earnings (Deficit) at Beginning of Year	<u>(67,153)</u>	<u>25,812</u>	<u>(41,341)</u>
(Deficit) at End of Year	<u><u>(\$126,103)</u></u>	<u><u>(\$206,260)</u></u>	<u><u>(\$332,363)</u></u>

See accompanying notes to the general purpose financial statements.



**CARLISLE LOCAL SCHOOL DISTRICT**  
**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, 2002**

	Enterprise Fund			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$435,153	\$435,153	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	1,466,382	1,466,382	0
Other Revenues	209	209	0	0	0	0
<i>Total Revenues</i>	<u>435,362</u>	<u>435,362</u>	<u>0</u>	<u>1,466,382</u>	<u>1,466,382</u>	<u>0</u>
<b><u>Expenses:</u></b>						
Salaries	192,810	179,108	13,702	0	0	0
Fringe Benefits	77,616	74,268	3,348	1,450,604	1,354,014	96,590
Purchased Services	5,606	1,722	3,884	292,796	292,796	0
Materials and Supplies	311,204	306,622	4,582	550	0	550
Capital Outlay	995	595	400	0	0	0
Other Expenses	885	882	3	0	0	0
<i>Total Expenses</i>	<u>589,116</u>	<u>563,197</u>	<u>25,919</u>	<u>1,743,950</u>	<u>1,646,810</u>	<u>97,140</u>
Excess of Revenues Over (Under) Expenses	(153,754)	(127,835)	25,919	(277,568)	(180,428)	97,140
<b><u>Other Financing Sources (Uses):</u></b>						
Interest	654	654	0	2,517	2,517	0
Federal and State Subsidies	74,868	74,868	0	0	0	0
Advances In	20,845	20,845	0	200,000	200,000	0
Operating Transfers Out	0	0	0	(100,000)	0	100,000
<i>Total Other Financing Sources (Uses)</i>	<u>96,367</u>	<u>96,367</u>	<u>0</u>	<u>102,517</u>	<u>202,517</u>	<u>100,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(57,387)	(31,468)	25,919	(175,051)	22,089	197,140
Fund Equity at Beginning of Year	29,977	29,977	0	191,401	191,401	0
Prior Year Encumbrances Appropriated	1,530	1,530	0	0	0	0
Fund Equity at End of Year	<u>(\$25,880)</u>	<u>\$39</u>	<u>\$25,919</u>	<u>\$16,350</u>	<u>\$213,490</u>	<u>\$197,140</u>

See accompanying notes to the general purpose financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 2002**

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$435,153	\$0	\$435,153
Cash Received from Quasi-External Transactions with Other Funds	0	1,466,382	1,466,382
Cash Payments to Employees for Services	(179,108)	0	(179,108)
Cash Payments for Employees Benefits	(74,268)	0	(74,268)
Cash Payments to Suppliers for Goods and Services	(308,188)	(292,796)	(600,984)
Cash Payments for Claims	0	(1,354,014)	(1,354,014)
Other Operating Receipts	209	0	209
Other Operating Payments	(882)	0	(882)
<i>Net Cash from Operating Activities</i>	<u>(127,084)</u>	<u>(180,428)</u>	<u>(307,512)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Advances In from Other Funds	20,845	200,000	220,845
Operating Grants Received	74,868	0	74,868
<i>Net Cash from Noncapital Financing Activities</i>	<u>95,713</u>	<u>200,000</u>	<u>295,713</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Cash Payments for Capital Acquisitions	(595)	0	(595)
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest on Investments	654	2,517	3,171
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(31,312)</b>	<b>22,089</b>	<b>(9,223)</b>
Cash and Cash Equivalents at Beginning of Year	31,507	191,401	222,908
Cash and Cash Equivalents at End of Year	<u>\$195</u>	<u>\$213,490</u>	<u>\$213,685</u>
<b><u>Reconciliation of Operating (Loss)</u></b>			
<b><u>to Net Cash from Operating Activities:</u></b>			
Operating (Loss)	(\$169,496)	(\$234,589)	(\$404,085)
<b><u>Adjustments to Reconcile Operating (Loss)</u></b>			
<b><u>to Net Cash from Operating Activities:</u></b>			
Depreciation	1,171	0	1,171
Donated Commodities Revenue Recognized During Year	26,674	0	26,674
<b><u>Changes in Assets and Liabilities:</u></b>			
Decrease in Inventory Held for Resale	7,417	0	7,417
Decrease in Accounts Payable	(3,407)	0	(3,407)
Increase in Claims Payable	0	54,161	54,161
Increase in Accrued Wages and Benefits Payable	448	0	448
Increase in Intergovernmental Payable	3,375	0	3,375
Increase in Compensated Absences Payable	17,295	0	17,295
Decrease in Deferred Revenue	(10,561)	0	(10,561)
Total Adjustments	<u>42,412</u>	<u>54,161</u>	<u>96,573</u>
Net Cash from Operating Activities	<u>(\$127,084)</u>	<u>(\$180,428)</u>	<u>(\$307,512)</u>

See accompanying notes to the general purpose financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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 nine instructional/support facilities which are staffed by 76 non-certified, 11 administrative, and 120 certificated full time teaching personnel who provide services to 1,725 students.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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. 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.

The School District is associated with two jointly governed organizations: the Southwestern Ohio Computer Association (SWOCA) and the 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 16 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.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**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 restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

**General Fund** - This 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** - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Internal Service Fund** - This 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 fund and an agency fund. An expendable trust fund is accounted for in essentially the same manner as governmental funds. An agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term 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.

**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 expendable trust funds 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. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental and expendable trust 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 and expendable trust funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. On the accrual basis, revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with the amount eligible for use during the year being reported as donated commodities revenue.

**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.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

All funds, other than agency funds, 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.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**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 Warren County Budget Commission for rate determination.

**Estimated Resources:** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

**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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. 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, several supplemental appropriations were legally enacted; however, none were 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 by the Board of Education as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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

**Cash and Cash Equivalents**

To improve cash management, all 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 School District 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 comes 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 2002, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$61,475, which includes \$21,854 assigned from other School District funds. In addition, the Roof Replacement Capital Project Fund, the Food Service Enterprise Fund, and the Self-Insurance Internal Service Fund were credited with \$22, \$654, and \$2,517, 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.

**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, and non-food items.



**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**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 fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. 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 is computed using the straight-line method over an estimated useful life of five years.

**Interfund Assets/Liabilities**

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

**Compensated Absences**

Vacation benefits and related salary payments 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. Sick leave benefits and related salary payments 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 vacation time when earned for all employees with more than one year of service. 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 fund, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**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.

**Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts set-aside by the School District for the creation of a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

**Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, capital lease, 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 previously required to be set-aside to protect against cyclical changes in revenues and expenditures. A reserve for budget stabilization is no longer required by State statute and any balance remaining in the previously required budget reserve can be used with certain restrictions, at the discretion of the Board of Education.

**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.

**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.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The following funds had deficit fund balances/retained earnings at June 30, 2002:

	<u>Deficit Fund Balance / Retained Earnings</u>
General Fund	\$283,012
<i>Special Revenue Funds:</i>	
Disadvantaged Pupil Impact Aid	132
Title I	1,073
<i>Enterprise Fund:</i>	
Food Service	126,103
<i>Internal Service Fund:</i>	
Self Insurance	206,260

The deficit fund balances presented were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Compliance**

The School District invested funds in a certificate of deposit at a federal credit union. This is an unallowable investment according to Ohio Revised Code Sections 135.03 and 1101.01(B).

During the fiscal year, the School District did not properly account for federally donated commodities as required by 7 C.F.R. section 250.15.

For the fiscal year ended June 30, 2002, the School District had some funds where appropriations exceeded estimated revenue which is contrary to Ohio Revised Code Section 5705.39.

**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 Trust 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).

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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. Advances-In, Advances-Out and principal payments on short-term notes are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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 Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	(\$792,559)	\$53,088	\$656,143	\$241
Revenue Accruals	164,391	11,768	3,082	0
Expenditure Accruals	182,070	(61,446)	(605,004)	(42)
Other Financing Sources (Uses)	(168,345)	(52,500)	0	0
Budget Basis	<u>(\$614,443)</u>	<u>(\$49,090)</u>	<u>\$54,221</u>	<u>\$199</u>

Net Income (Loss)/Excess of Revenues Over Expenses  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$58,950)	(\$232,072)
Expense Accruals	41,085	54,161
Depreciation Expense	1,171	0
Capital Outlay	(595)	0
Other Financing Sources (Uses)	(14,179)	200,000
Budget Basis	<u>(\$31,468)</u>	<u>\$22,089</u>

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 monies deposited with the institution.

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

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 5 - DEPOSITS AND INVESTMENTS** - (Continued)

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 \$774,525 and the bank balance was \$920,159. Of the bank balance:

1. \$299,000 was covered by federal depository insurance;
2. \$97,000 was covered by the National Credit Union Associations;
3. \$124,137 was covered by specific collateral; and
4. \$400,022 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 fiscal 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 which 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.

	Uncategorized	Fair Value
STAR Ohio	\$1,295,952	\$1,295,952

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 5 - DEPOSITS AND INVESTMENTS** - (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,070,477	\$0
<i>Investments:</i>		
STAR Ohio	(1,295,952)	1,295,952
GASB Statement No. 3	\$774,525	\$1,295,952

**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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 6 - PROPERTY TAXES** - (Continued)

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

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$115,545,290	69.90%	\$119,700,280	80.19%
Public Utility Personal	44,286,410	26.79%	24,308,220	16.28%
Tangible Personal Property	5,481,087	3.32%	5,262,313	3.53%
<b>Total</b>	<b>\$165,312,787</b>	<b>100.00%</b>	<b>\$149,270,813</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$52.44		\$52.19	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. 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, 2002, was \$180,599 in the General Fund and \$13,612 in the Capital Improvement Capital Projects Fund.



**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, 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.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Special Revenue Funds:</i>	
Title VI-B	\$25,744
Drug Free Grant	3,628
Telecommunication E-Rate Grant	2,187
Total Special Revenue Funds	31,559
<i>Enterprise Fund:</i>	
National School Breakfast Program	2,433
National School Lunch Program	18,526
Total Enterprise Fund	20,959
Total Intergovernmental Receivables	\$52,518

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$147,432
Less: Accumulated Depreciation	(142,778)
Net Fixed Assets	\$4,654

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

	Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Buildings and Improvements	\$5,893,195	\$89,348	\$0	\$5,982,543
Land	349,905	29,637	0	379,542
Furniture and Equipment	2,560,564	280,709	0	2,841,273
Vehicles	1,232,322	42,110	124,950	1,149,482
Total General Fixed Assets	\$10,035,986	\$441,804	\$124,950	\$10,352,840

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 9 - RISK MANAGEMENT**

**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. During fiscal year 2002, the School District contracted with Ohio Casualty for property insurance.

Professional liability is protected by The Nationwide Insurance Company and holds a \$500 deductible for collision and a \$100 deductible for comprehensive. Automobile liability has a \$1,000,000 combined single limit of liability. The Nationwide Insurance Company maintains professional liability with a \$2,000,000 per occurrence and a \$5,000,000 aggregate limit.

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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.

**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 \$689 for family and \$296 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 \$42 per month per employee which presents the entire premium.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 9 - RISK MANAGEMENT** - (Continued)

The claims liability of \$219,750 reported in the Internal Service Fund at June 30, 2002 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:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2001	\$132,777	\$1,709,576	\$1,676,764	\$165,589
2002	165,589	1,408,175	1,354,014	219,750

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$105,543, \$88,721, and \$88,642, respectively; 55.25 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$47,226 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$623,804, \$560,310, and \$338,805, respectively; 82.82 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$107,146 representing the unpaid contribution for fiscal year 2002, 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$295,486 for fiscal year 2002.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$200,631.

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

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**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, which will be paid any remaining vacation time upon termination.

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 total of nine sick days, not to exceed a maximum of 224 total sick days.

**Insurance Benefits**

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

**NOTE 13 - NOTE DEBT**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/02</u>
Permanent Improvement Tax Anticipation Notes	1998	4.40%	<u>\$131,439</u>	<u>\$0</u>	<u>\$131,439</u>	<u>\$0</u>

The April 1, 1998 issue consists of five notes in the denomination of \$131,439 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. During fiscal year 2002, these notes were fully retired from the Permanent Improvement Capital Projects Fund.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2002, were as follows:

	Issue Date	Interest Rate	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
<i>General Obligation Debt:</i>						
Energy Conservation Loan	1989	0.00%	\$30,555	\$0	\$5,555	\$25,000
School Energy Conservation Improvement Installment Payment Note	1998	4.90%	797,724	0	50,408	747,316
Total General Obligation Debt			828,279	0	55,963	772,316
<i>Other Long-Term Obligations:</i>						
Compensated Absences Payable			887,001	7,844	0	894,845
Intergovernmental Payable			83,909	94,937	83,909	94,937
Capital Lease Payable			0	500,000	0	500,000
Tax Refund Payable			13,331	0	8,887	4,444
Total General Long-Term Obligations			<u>\$1,812,520</u>	<u>\$602,781</u>	<u>\$148,759</u>	<u>\$2,266,542</u>

On May 1, 1989, the School District issued a \$97,218 Energy Conservation Loan for the purpose of remodeling that would significantly reduce energy consumption in buildings owned by the School District. This loan was issued for a nineteen year period with final maturity on July 31, 2007. This loan is being retired from the General Fund.

The School 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 School 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.

Compensated absences will be paid from the fund from which the employee 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 employee is paid. The capital lease payable will be repaid from the Permanent Improvement Capital Projects Fund. The real estate tax refund payable is deducted from the property tax settlement of the General Fund by the Warren County Auditor.

The School District's overall legal debt margin was \$12,162,057 with an energy conservation debt margin of \$1,343,437 and an unvoted debt margin of \$149,271 at June 30, 2002.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 14 - LONG-TERM OBLIGATIONS** - (Continued)

Principal requirements to retire long-term notes and loans outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$58,434	\$36,618	\$95,052
2004	61,025	34,027	95,052
2005	63,743	31,309	95,052
2006	66,594	28,458	95,052
2007	66,807	25,468	92,275
2008-2012	370,397	77,086	447,483
2013	85,316	4,181	89,497
Total	<u>\$772,316</u>	<u>\$237,147</u>	<u>\$1,009,463</u>

**NOTE 15 - CAPITAL LEASE - LESSEE DISCLOSURE**

During fiscal year 2002, the School District entered into a lease-purchase agreement for the replacement of the Middle School roof. The School District is leasing the project site from Fifth Third Bank, Cincinnati, Ohio. Fifth Third Bank will retain title to the project during the lease term. The School District is acting as an agent for the lessor, and is replacing the roof from the proceeds provided by the lessor. As part of the agreement, Fifth Third Bank deposited \$500,000 in an escrow account for the roof replacement project, and will serve as the escrow agent. Fifth Third Bank will use the escrow account to pay for the cost of the project, upon receiving payment requests by the School District. The School District will make annual lease payments to Fifth Third Bank at an interest rate of 4.6%. The lease is renewable annually and expires in 2009. The intention of the School District is to renew the lease annually.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 15 - CAPITAL LEASE - LESSEE DISCLOSURE** - (Continued)

This agreement is recorded in the General Long-Term Obligations Account Group as a “capital lease payable”. At year end, the work on the general fixed asset being constructed under this lease had not begun. \$500,022, including \$22 of interest, is being held by the fiscal agent. No principal payments were made during fiscal year 2002. The principal amount owed on the lease at year end is \$500,000.

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, 2002:

Fiscal Year Ending June 30,	General Long-Term Obligations Account Group
2003	\$83,876
2004	83,876
2005	83,876
2006	83,876
2007	83,876
2008 - 2009	167,753
Total Future Minimum Lease Payments	587,133
Less: Amount Representing Interest	(87,133)
Present Value of Future Minimum Lease Payments	\$500,000



**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 16 - INTERFUND RECEIVABLES/PAYABLES**

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$278,067	\$0
<i>Special Revenue Funds:</i>		
Public School Support	440	0
District Managed Activities	0	440
Ohio Children's Trust	0	535
Title VI-B	0	1,084
Drug Free Schools	0	1,603
<i>Total Special Revenue Funds</i>	440	3,662
<i>Enterprise Fund:</i>		
Food Service	0	74,845
<i>Internal Service Fund:</i>		
Self Insurance	0	200,000
Totals	\$278,507	\$278,507

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOL**

**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 28 participating school districts. During fiscal year 2002, the School District paid \$32,799 to SWOCA. Financial information can be obtained by contacting SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio, 45011-2241.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOL** - (Continued)

**Miami Valley Career Technology Center**

The Miami Valley Career Technology Center, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from 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 2002, 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.

**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's 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 2002, the School District paid \$5,659 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 - CONTINGENCIES**

**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, 2002.

**Litigation**

The School District is not party to any legal proceedings.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**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. Previously, the School District was also required to set aside money for budget stabilization.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2001	\$0	\$0	\$109,575
Current Year Set-Aside Requirement	276,184	276,184	0
Prior Year Balance Carried Forward	(963)	0	0
Current Year Offsets	0	(308,709)	0
Qualifying Disbursements	(450,901)	(217,028)	0
Totals	<u>(\$175,680)</u>	<u>(\$249,553)</u>	<u>\$109,575</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$175,680)</u>	<u>\$0</u>	<u>\$109,575</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$109,575</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. Current year offsets and qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks may be used to reduce set-aside requirements in future years. Actual cash balances in excess of set-aside requirements for textbooks may be used to offset set-aside requirements of future years. Actual cash balances in excess of set-aside requirements for capital improvements may be used to offset set-aside requirements of future years since monies are obtained from a permanent improvement levy.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the District had \$434,770 in a contractual commitment for the middle school roof replacement project. There had been no amounts expended leaving the full balance owed by the District on this contractual commitment at year end.

**CARLISLE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 21 - SUBSEQUENT EVENTS**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding plan that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 22 - NEW ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements are effective for the School District's year ending June 30, 2003. The School District has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550		\$25,506		\$32,521
School Breakfast Program	05-PU 01/02	10.553	9,451		9,451	
National School Lunch Program	LL-P1/P4 01/02	10.555	69,814		69,814	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>79,265</u>	<u>25,506</u>	<u>79,265</u>	<u>32,521</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-01-P	84.027			16,479	
	6B-SF-02-P		89,251		89,251	
Total Special Education Grants to States			<u>89,251</u>		<u>105,730</u>	
Special Education - Preschool Grant	PG-SF-01-P	84.173			363	
	PG-SF-02-P		1,797		487	
Total Special Education - Preschool Grant			<u>1,797</u>		<u>850</u>	
Total Special Education Cluster			91,048		106,580	
Title I, Part A, CSEA	C1-S1-01	84.010	38,541		22,763	
	C1-S1-02		180,304		180,304	
Total Title I, Part A, CSEA			<u>218,845</u>		<u>203,067</u>	
Drug Free Schools Grant	DR-S1-01	84.186			2,211	
	DR-S1-02		1,484		3,087	
Total Drug Free Schools Grant			<u>1,484</u>		<u>5,298</u>	
Innovative Education Program Strategies	C2-S1-02	84.298	8,888		7,268	
Eisenhower Professional Development Grant	MS-S1-01	84.281	743		205	
	MS-S1-02		9,939		9,600	
Total Eisenhower Professional Development Grant			<u>10,682</u>		<u>9,805</u>	
Continuous Improvement Implementation Grant	G2-S2-00	84.276			3,751	
	G2-S2-01				8,349	
Total Continuous Improvement Implementation Grant					<u>12,100</u>	
Title VI-R Class Size Reduction	CR-S1-01	84.340			6,178	
	CR-S1-02		52,488		38,926	
Total VI-R Class Size Reduction			<u>52,488</u>		<u>45,104</u>	
Total Department of Education			<u>383,435</u>		<u>389,222</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$462,700</u></u>	<u><u>\$25,506</u></u>	<u><u>\$468,487</u></u>	<u><u>\$32,521</u></u>

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

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

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

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that Carlisle Local School District contribute non-federal funds or in-kind contributions (matching requirements) to support the federally funded programs. Carlisle Local School District has complied with the matching requirements. The expenditure of non-federal funds is not included on the Schedule of Federal Awards Expenditures.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' 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 year ended June 30, 2002, and have issued our report thereon dated March 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10483-001 and 002-10483-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 26, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10483-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe of the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 26, 2003.

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



**Betty Montgomery**  
Auditor of State

March 26, 2003





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Carlisle Local School District, Warren County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2002-10483-004.

### **Internal Control Over Compliance**

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2002-10483-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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



**Betty Montgomery**  
Auditor of State

March 26, 2003

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I – CFDA #84.010 Nutrition Cluster – CFDA#'s 10.550, 10.553 and 10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2002-10483-001**

**Material Noncompliance**

Ohio Rev. Code, Section 135.03, states any national bank located in this state and any bank as defined by Section 1101.01, of the Revised Code, subject to inspection by the superintendent of financial institutions, is eligible to become a public depository, subject to Sections 135.01 to 135.21, of the Revised Code. Ohio Rev. Code, Section 1101.01(B), states in part that "bank" does not include a credit union.

Carlisle Local School District had \$97,000 deposited in a federal credit union as of June 30, 2002. This credit union is not an eligible depository for District monies. District monies deposited with a financial institution not authorized according to the aforementioned Ohio Rev. Code could put District monies at risk. The District should only use depositories as allowed by the Ohio Rev. Code.

**FINDING NUMBER 2002-10483-002**

**Noncompliance**

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total estimated revenue. During the course of the year and at year end, the District had appropriations that exceeded estimated revenue for the following funds:

Date	Fund	Estimated Revenue	Appropriations
8/31/01	024	1,802,614	1,846,950
12/31/01	516	95,589	114,995
6/30/02	516	90,335	114,995
6/30/02	416	0	2,400
6/30/02	019	20,050	22,515
6/30/02	584	3,087	6,745
6/30/02	599	15,000	15,542
6/30/02	006	561,707	587,586

Failure to comply with this section of the Ohio Revised Code could result in negative fund balances. The District should not appropriate more than the estimated revenue in order to prevent negative fund balances.

**FINDING NUMBER 2002-10483-003**

**Reportable Condition**

Our review of the District's fixed assets noted the following:

- \$281,950 worth of vehicles were listed as being deleted, the actual amount was \$124,950 for three school buses and three vans. The financial statements have been adjusted accordingly.
- \$21,625 was added to vehicles but the actual amount was \$42,110 as the District did not consider trade-in values. The financial statements have been adjusted accordingly.
- The General Fixed Asset Account Group in the audit report shows \$10,352,840 however the District's supporting records show \$9,909,236 for a difference of \$443,604;
- Fixed asset acquisition and deletion forms are not being used, and
- Fixed asset additions and deletions are not being maintained on a perpetual basis; rather the District collects the information as part of the general accepted accounting principles conversion process after fiscal year end.

These conditions could result in material misstatement of fixed assets; and/or a loss of fixed assets without timely detection. To improve accountability over fixed assets we recommend the District:

- Reconcile the fixed asset listing to the amount included in the report and make the necessary adjustments;
- Perform an annual inventory of the fixed assets;
- Use acquisition and deletion forms;
- Update the fixed assets listing as additions and deletions occur using the aforementioned forms;
- Have a member of the management team review the fixed assets listing at year end for accuracy and completeness.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2002-10483-004</b>
CFDA Title and Number	Nutrition Cluster – CFDA #'s 10.550, 10.553, and 10.555
Federal Award Number and Agency	05-PU-01/02 and LL-P1/P4 01/02 Year 2002
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**Noncompliance/Reportable Condition**

**Commodities Inventory**

Accurate and complete inventory records are required to be maintained with respect to the receipt, distribution/use, and inventory of donated foods. Failure to maintain records required by 7 C.F.R section 250.16 shall be considered evidence of improper distribution or loss of donated foods, and the agency, processor, or entity is liable for the value of the food or replacement of the food in kind (7 C.F.R. sections 250.16(a)(6) and 250.15(c)).

The District shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facilities inventory records and maintained on file by the agency which contracted with or maintained the storage facility. Corrective action shall be immediately taken on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 C.F.R section 250.14(e)).

Inventory records for the months of January and May of 2002 could not be located. For five months the inventory records did not match the District's CN-2 reports, reporting differences up to \$4,096. For five months the District's CN-2 reports ending inventories did not match the Ohio Department of Education's MR-30 reports, reporting differences up to \$1,000. For the month of March the Middle School ending inventory for commodities was actually the building supplies per the District inventory records. For three months the District did not have inventory records for commodities stored at the Dayton Terminal Cold Storage.

Inventory records must be maintained accurately and completely by the District to lessen the probability of fraud or theft, help facilitate quick detection if it should occur, and to permit accurate reporting required by Federal regulations. Inventory records are an integral part of the internal control system for safeguarding federal commodities.

The District has a new Food Service Coordinator in place for fiscal year 2003.

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**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-10431-001	ORC, 5705.41D – the availability of funds was not certified for certain commitments.	No	Partially corrected – reported in the management letter for 2002.
2001-10483-002	Not all students receiving free or reduced-priced lunches had approved applications on file.	Yes	Corrected.
2001-10483-003	Per 7 C.F.R. sections 250.16 and 250.14(e) the District must maintain accurate inventories of its federally donated food commodities.	No	Re-issued as finding 2002-10483-004.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 10, 2003**