



**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	12
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types	13
Combined Statement of Cash Flows - All Proprietary Fund Types	14
Notes to the General-Purpose Financial Statements	15
Schedule of Federal Awards Expenditures	43
Notes to the Schedule of Federal Awards Expenditures	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings	49

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Carlisle Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2001, 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 Carlisle Local School District, Warren County, Ohio, as of June 30, 2001, 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 a report dated December 19, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. 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 and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 19, 2001

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CARLISLE LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,313,612	\$251,506	\$0	\$44,997
Cash and Cash Equivalents With Fiscal Agents	0	0	2,428	0
<u>Receivables:</u>				
Property Taxes	5,201,861	0	0	259,913
Accounts	12,200	2,968	0	0
Intergovernmental	9,772	39,284	0	0
Interfund Receivable	109,722	299	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	183,412	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	<u><u>\$6,830,579</u></u>	<u><u>\$294,057</u></u>	<u><u>\$2,428</u></u>	<u><u>\$304,910</u></u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$31,507	\$191,401	\$25,868	\$0	\$0	\$1,858,891
0	0	0	0	0	2,428
0	0	0	0	0	5,461,774
0	0	0	0	0	15,168
12,609	0	0	0	0	61,665
0	0	0	0	0	110,021
14,818	0	0	0	0	14,818
2,176	0	0	0	0	2,176
0	0	0	0	0	183,412
5,230	0	0	10,035,986	0	10,041,216
0	0	0	0	1,812,520	1,812,520
<u>\$66,340</u>	<u>\$191,401</u>	<u>\$25,868</u>	<u>\$10,035,986</u>	<u>\$1,812,520</u>	<u>\$19,564,089</u>

(continued)

CARLISLE LOCAL SCHOOL DISTRICT
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$23,758	\$3,281	\$0	\$0
Contracts Payable	13,351	0	0	0
Accrued Wages and Benefits	1,177,051	56,125	0	0
Compensated Absences Payable	14,355	0	0	0
Interfund Payable	0	56,021	0	0
Intergovernmental Payable	221,754	8,707	0	0
Deferred Revenue	4,870,763	743	0	243,219
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	2,428	0
Accrued Interest Payable	0	0	0	951
Claims Payable	0	0	0	0
Notes Payable	0	0	0	131,439
Energy Conservation Loans Payable	0	0	0	0
Tax Refund Payable	0	0	0	0
Total Liabilities	6,321,032	124,877	2,428	375,609
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved (Deficit)	0	0	0	0
<u>Fund Balance:</u>				
Reserved for Encumbrances	307,678	111,318	0	23,894
Reserved for Property Taxes	331,098	0	0	16,694
Reserved for Bus Purchase Allowance	73,837	0	0	0
Reserved for Budget Stabilization	109,575	0	0	0
<u>Unreserved:</u>				
Undesignated (Deficit)	(312,641)	57,862	0	(111,287)
Total Fund Equity (Deficit) and Other Credits	509,547	169,180	0	(70,699)
Total Liabilities, Fund Equity and Other Credits	\$6,830,579	\$294,057	\$2,428	\$304,910

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$3,407	\$0	\$692	\$0	\$0	\$31,138
0	0	0	0	0	13,351
27,610	0	0	0	0	1,260,786
14,428	0	0	0	887,001	915,784
54,000	0	0	0	0	110,021
23,487	0	0	0	83,909	337,857
10,561	0	0	0	0	5,125,286
0	0	25,218	0	0	25,218
0	0	0	0	0	2,428
0	0	0	0	0	951
0	165,589	0	0	0	165,589
0	0	0	0	797,724	929,163
0	0	0	0	30,555	30,555
0	0	0	0	13,331	13,331
<u>133,493</u>	<u>165,589</u>	<u>25,910</u>	<u>0</u>	<u>1,812,520</u>	<u>8,961,458</u>
0	0	0	10,035,986	0	10,035,986
(67,153)	25,812	0	0	0	(41,341)
0	0	0	0	0	442,890
0	0	0	0	0	347,792
0	0	0	0	0	73,837
0	0	0	0	0	109,575
0	0	(42)	0	0	(366,108)
<u>(67,153)</u>	<u>25,812</u>	<u>(42)</u>	<u>10,035,986</u>	<u>0</u>	<u>10,602,631</u>
<u>\$66,340</u>	<u>\$191,401</u>	<u>\$25,868</u>	<u>\$10,035,986</u>	<u>\$1,812,520</u>	<u>\$19,564,089</u>

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CARLISLE LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues:</u>					
Property Taxes	\$5,101,184	\$0	\$253,884	\$0	\$5,355,068
Intergovernmental	5,728,977	506,134	69,007	0	6,304,118
Interest	132,058	0	0	0	132,058
Tuition and Fees	116,541	0	0	0	116,541
Extracurricular Activities	14,970	76,959	0	0	91,929
Miscellaneous	47,400	51,335	0	500	99,235
<i>Total Revenues</i>	11,141,130	634,428	322,891	500	12,098,949
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	4,964,732	59,971	101,251	0	5,125,954
Special	786,575	314,210	0	0	1,100,785
Vocational	281,660	0	0	0	281,660
Other	57,910	0	0	0	57,910
<i>Support Services:</i>					
Pupils	885,985	33,435	0	506	919,926
Instructional Staff	551,202	159,953	20,674	0	731,829
Board of Education	20,366	0	0	0	20,366
Administration	907,503	4,050	0	0	911,553
Fiscal	331,935	0	4,160	0	336,095
Business	18,174	0	0	0	18,174
Operation and Maintenance of Plant	1,089,825	2,838	22,331	0	1,114,994
Pupil Transportation	672,451	0	0	0	672,451
Central	34,156	3,656	0	0	37,812
Operation of Non-Instructional Services	1,770	0	0	0	1,770
Extracurricular Activities	363,640	83,164	0	0	446,804
<i>Debt Service:</i>					
Principal Retirement	6,758	0	48,053	0	54,811
Interest and Fiscal Charges	5	0	50,860	0	50,865
<i>Total Expenditures</i>	10,974,647	661,277	247,329	506	11,883,759
Excess of Revenues Over (Under) Expenditures	166,483	(26,849)	75,562	(6)	215,190
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	350	0	0	0	350
Operating Transfers Out	(23,875)	0	0	0	(23,875)
<i>Total Other Financing Sources (Uses)</i>	(23,525)	0	0	0	(23,525)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	142,958	(26,849)	75,562	(6)	191,665
Fund Balances (Deficit) at Beginning of Year	366,589	196,029	(146,261)	(36)	416,321
Fund Balances (Deficit) at End of Year	\$509,547	\$169,180	(\$70,699)	(\$42)	\$607,986

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, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$5,088,107	\$5,088,107	\$0	\$0	\$0	\$0
Intergovernmental	5,730,377	5,730,377	0	530,302	530,302	0
Interest	134,852	134,852	0	0	0	0
Tuition and Fees	106,115	106,115	0	0	0	0
Extracurricular Activities	14,970	14,970	0	76,495	76,495	0
Miscellaneous	63,617	63,617	0	50,931	50,931	0
Total Revenues	11,138,038	11,138,038	0	657,728	657,728	0
Expenditures:						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	5,326,192	4,988,302	337,890	67,738	67,728	10
Special	807,123	773,358	33,765	355,597	355,597	0
Vocational	279,347	277,328	2,019	0	0	0
Other	90,427	71,723	18,704	0	0	0
<i>Support Services:</i>						
Pupils	908,174	883,857	24,317	45,531	41,531	4,000
Instructional Staff	552,424	549,304	3,120	209,621	207,976	1,645
Board of Education	23,522	20,999	2,523	0	0	0
Administration	947,680	920,084	27,596	5,236	5,157	79
Fiscal	354,147	335,094	19,053	126	0	126
Business	28,514	22,724	5,790	0	0	0
Operation and Maintenance of Plant	1,264,699	1,190,264	74,435	4,139	2,938	1,201
Pupil Transportation	741,029	694,498	46,531	0	0	0
Central	50,673	42,640	8,033	6,459	6,090	369
Operation of Non-Instructional Services	2,100	1,770	330	0	0	0
Extracurricular Activities	444,804	418,229	26,575	126,267	92,320	33,947
<i>Debt Service:</i>						
Principal Retirement	5,556	5,556	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	11,826,411	11,195,730	630,681	820,714	779,337	41,377
Excess of Revenues Over (Under) Expenditures	(688,373)	(57,692)	630,681	(162,986)	(121,609)	41,377
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	350	350	0	0	0	0
Advances In	62,709	62,709	0	60,328	40,328	(20,000)
Advances Out	(73,442)	(40,187)	33,255	(62,850)	(62,850)	0
Operating Transfers Out	(23,875)	(23,875)	0	0	0	0
Total Other Financing Sources (Uses)	(34,258)	(1,003)	33,255	(2,522)	(22,522)	(20,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(722,631)	(58,695)	663,936	(165,508)	(144,131)	21,377
Fund Balances at Beginning of Year	897,443	897,443	0	99,288	99,288	0
Prior Year Encumbrances Appropriated	337,871	337,871	0	182,851	182,851	0
Fund Balance at End of Year	\$512,683	\$1,176,619	\$663,936	\$116,631	\$138,008	\$21,377

See accompanying notes to the general purpose financial statements.

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$256,314	\$256,314	\$0	\$0	\$0	\$0
69,007	69,007	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	500	500	0
325,321	325,321	0	500	500	0
124,265	124,265	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	508	506	2
21,447	20,674	773	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
4,545	4,160	385	0	0	0
0	0	0	0	0	0
44,690	33,468	11,222	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
179,493	179,493	0	0	0	0
53,010	53,010	0	0	0	0
427,450	415,070	12,380	508	506	2
(102,129)	(89,749)	12,380	(8)	(6)	2
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(102,129)	(89,749)	12,380	(8)	(6)	2
81,609	81,609	0	8	8	0
29,243	29,243	0	0	0	0
\$8,723	\$21,103	\$12,380	\$0	\$2	\$2

CARLISLE LOCAL SCHOOL DISTRICT
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Sales	\$442,954	\$0	\$442,954
Charges for Services	0	1,551,620	1,551,620
Other Operating Revenues	307	0	307
<i>Total Operating Revenues</i>	443,261	1,551,620	1,994,881
<u>Operating Expenses:</u>			
Salaries	184,540	0	184,540
Fringe Benefits	64,931	0	64,931
Purchased Services	1,358	238,323	239,681
Materials and Supplies	31,230	291	31,521
Cost of Sales	308,447	0	308,447
Depreciation	307	0	307
Claims	0	1,709,576	1,709,576
Other Operating Expenses	699	0	699
<i>Total Operating Expenses</i>	591,512	1,948,190	2,539,702
<i>Operating Income (Loss)</i>	(148,251)	(396,570)	(544,821)
<u>Nonoperating Revenues:</u>			
Federal Donated Commodities	46,944	0	46,944
Interest	2,541	17,209	19,750
Federal and State Subsidies	86,332	0	86,332
<i>Total Nonoperating Revenues</i>	135,817	17,209	153,026
Income (Loss) Before Operating Transfers	(12,434)	(379,361)	(391,795)
Operating Transfers In	23,875	0	23,875
Net Income (Loss)	11,441	(379,361)	(367,920)
Retained Earnings (Deficit) Beginning of Year	(78,594)	405,173	326,579
Retained Earnings (Deficit) at End of Year	(67,153)	25,812	(41,341)

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, 2001

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Sales	\$443,008	\$443,008	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	1,615,759	1,615,759	0
Other Revenues	307	307	0	0	0	0
Total Revenues	443,315	443,315	0	1,615,759	1,615,759	0
<u>Expenses:</u>						
Salaries	179,856	179,535	321	0	0	0
Fringe Benefits	70,812	70,812	0	1,677,900	1,676,764	1,136
Purchased Services	5,414	1,564	3,850	280,400	238,323	42,077
Materials and Supplies	296,071	292,788	3,283	550	291	259
Capital Outlay	5,954	5,954	0	0	0	0
Other Expenses	708	699	9	0	0	0
Total Expenses	558,815	551,352	7,463	1,958,850	1,915,378	43,472
Excess of Revenues Over (Under) Expenses	(115,500)	(108,037)	7,463	(343,091)	(299,619)	43,472
<u>Other Financing Sources:</u>						
Interest	2,541	2,541	0	17,209	17,209	0
Federal and State Subsidies	87,253	87,253	0	0	0	0
Operating Transfers In	23,875	23,875	0	0	0	0
Total Other Financing Sources	113,669	113,669	0	17,209	17,209	0
Excess of Revenues and Other Financing Source Over (Under) Expenses	(1,831)	5,632	7,463	(325,882)	(282,410)	43,472
Fund Equity at Beginning of Year	24,152	24,152	0	473,811	473,811	0
Prior Year Encumbrances Appropriated	193	193	0	0	0	0
Fund Equity at End of Year	\$22,514	\$29,977	\$7,463	\$147,929	\$191,401	\$43,472

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, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$443,008	\$0	\$443,008
Cash Received from Quasi-External Transactions With Other Funds	0	1,615,759	1,615,759
Cash Received from Other Operating Sources	307	0	307
Cash Payments to Suppliers for Goods and Services	(293,546)	(238,614)	(532,160)
Cash Payments to Employees for Services	(179,535)	0	(179,535)
Cash Payments for Employee Benefits	(70,812)	0	(70,812)
Cash Payments for Claims	0	(1,676,764)	(1,676,764)
Cash Payments for Other Operating Expenses	(699)	0	(699)
<i>Net Cash from Operating Activities</i>	<u>(101,277)</u>	<u>(299,619)</u>	<u>(400,896)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	87,253	0	87,253
Transfers In from Other Funds	23,875	0	23,875
<i>Net Cash from Noncapital Financing Activities</i>	<u>111,128</u>	<u>0</u>	<u>111,128</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Capital Acquisitions	(5,230)	0	(5,230)
<u>Cash Flows from Investing Activities:</u>			
Interest Received on Investments	2,541	17,209	19,750
Net Increase (Decrease) in Cash and Cash Equivalents	7,162	(282,410)	(275,248)
Cash and Cash Equivalents at Beginning of Year	24,345	473,811	498,156
Cash and Cash Equivalents at End of Year	<u>\$31,507</u>	<u>\$191,401</u>	<u>\$222,908</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</u>			
Operating Income (Loss)	(\$148,251)	(\$396,570)	(\$544,821)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</u>			
Donated Commodities Used During Year	46,944	0	46,944
Depreciation	307	0	307
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	54	64,139	64,193
Decrease in Inventory Held for Resale	2,657	0	2,657
Increase in Claims Payable	0	32,812	32,812
Increase in Accounts Payable	754	0	754
Decrease in Accrued Wages and Benefits	(4,399)	0	(4,399)
Increase in Compensated Absences Payable	4,151	0	4,151
Decrease in Deferred Revenue	(2,867)	0	(2,867)
Decrease in Other Liabilities	(627)	0	(627)
Total Adjustments	<u>46,974</u>	<u>96,951</u>	<u>143,925</u>
Net Cash from Operating Activities	<u>(\$101,277)</u>	<u>(\$299,619)</u>	<u>(\$400,896)</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, 2001

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 80 non-certified, 11 administrative, and 118 certificated full time teaching personnel who provide services to 1,771 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 18 to the general purpose financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

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.

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

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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.

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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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.

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 District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the 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, 2001, but which were levied to finance fiscal year 2002 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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. 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 a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred 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.

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 2001.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education 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.

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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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 2001, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements 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, 2001.

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 2001 amounted to \$132,058, which includes \$33,182 assigned from other School District funds. In addition, the Food Service Enterprise Fund and the Self-Insurance Internal Service Fund received \$2,541 and \$17,209, 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.

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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Interfund Assets/Liabilities

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused 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.

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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of buses, and amounts set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 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, bus purchase allowance, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money 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.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

The District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

GASB Statement No. 33 establishes accounting and financial reporting guidelines about when to report the results of nonexchange transactions. GASB Statement No. 36 is a modification to the provisions of GASB Statement No. 33 for certain specific nonexchange revenues. The implementation of these statements did not effect the fund balance and therefore, did not require a prior period adjustment to fund balance or retained earnings. The implementation of these statements did affect the prior period intergovernmental receivable and deferred revenue amounts by increasing each \$15,450 in the Special Revenue Funds.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - (Continued)

Previously, the District had omitted a tax refund liability from the General Long-Term Obligations Account Group which resulted in the liabilities being understated. An adjustment was made to increase the tax refund payable and the amount to be provided from general government resources in the amount of \$22,218.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

The following funds had deficit fund balances/retained earnings at June 30, 2001:

	Deficit Fund Balance / Retained Earnings
<i>Special Revenue Funds:</i>	
Disadvantage Pupil Impact Aid	\$134
Education for Economic Security Act	565
Title VI-R	594
Title I	19,287
Title II	30
<i>Capital Projects Fund:</i>	
Permanent Improvement	93,713
<i>Expendable Trust Fund:</i>	
Neediest Kids of All	42
<i>Enterprise Fund:</i>	
Food Service	67,153

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.

The District did not properly encumber all expenditures.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - 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).
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 and Advances-Out 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	\$142,958	(\$26,849)	\$75,562	(\$6)
Revenue Accruals	(3,092)	23,300	2,430	0
Expenditure Accruals	(221,083)	(118,060)	(167,741)	0
Other Financing Sources(Uses)	22,522	(22,522)	0	0
Budget Basis	<u>(\$58,695)</u>	<u>(\$144,131)</u>	<u>(\$89,749)</u>	<u>(\$6)</u>

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Income (Loss)/Excess of Revenues Over Expenses		
All Proprietary Fund Types		
	Enterprise	Internal Service
GAAP Basis	\$11,441	(\$379,361)
Revenue Accruals	(135,763)	46,930
Expense Accruals	45,807	32,812
Depreciation Expense	307	0
Capital Outlay	(5,954)	0
Other Financing Sources (Uses)	89,794	17,209
Budget Basis	\$5,632	(\$282,410)

NOTE 6 - 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;

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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,
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 \$326,389 and the bank balance was \$695,761. Of the bank balance:

1. \$102,428 was covered by federal depository insurance; and
2. \$593,333 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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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	\$1,718,342	\$1,718,342

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."

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	\$2,044,731	\$0
<i>Investments:</i>		
STAR Ohio	(1,718,342)	1,718,342
GASB Statement No. 3	\$326,389	\$1,718,342

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES - (Continued)

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$99,217,720	65.93%	\$115,545,290	69.90%
Public Utility Personal	45,338,660	30.13%	44,286,410	26.79%
Tangible Personal Property	5,927,071	3.94%	5,481,087	3.32%
Total	\$150,483,451	100.00%	\$165,312,787	100.00%
Tax rate per \$1,000 of assessed valuation	\$53.10		\$52.44	

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, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES - (Continued)

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, 2001. 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, 2001, was \$331,098 in the General Fund and \$16,694 in the Capital Improvement Capital Projects Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, 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>General Fund:</i>	
Bureau of Workers Compensation	\$9,772
<i>Special Revenue Funds:</i>	
Eisenhower Grant	743
Title I	38,541
Total Special Revenue Funds	39,284
<i>Enterprise Fund:</i>	
National School Breakfast Program	1,348
National School Lunch Program	11,261
Total Enterprise Fund	12,609
Total Intergovernmental Receivables	\$61,665

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$146,837
Less: Accumulated Depreciation	(141,607)
Net Fixed Assets	<u><u>\$5,230</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Buildings and Improvements	\$5,859,466	\$33,729	\$0	\$5,893,195
Land	337,905	12,000	0	349,905
Furniture and Equipment	2,352,312	208,252	0	2,560,564
Vehicles	1,119,985	112,337	0	1,232,322
Total General Fixed Assets	<u><u>\$9,669,668</u></u>	<u><u>\$366,318</u></u>	<u><u>\$0</u></u>	<u><u>\$10,035,986</u></u>

NOTE 10 - 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 2001, the School District contracted with Indiana Insurance Casualty Company 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 \$5,000,000 aggregate limit.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT - (Continued)

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement of Ohio provides administrative, cost control and actuarial services to the GRP.

Employee Medical Benefits

The School District has elected to provide employee medical/surgical benefits through a self-insurance internal service fund. The School District maintains a Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$100 single and \$200 family deductible. A third party administrator, Klais & Company, Inc. located in Akron, Ohio, reviews all claims which are then paid by the School District. The School District pays into the Self-Insurance Internal Service Fund \$584 for family and \$250 for single coverage per month which presents ninety and ninety-five percent of the premium required respectively. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insurance basis through the Self-Insurance Internal Service Fund. The School District pays \$39 per month per employee which presents the entire premium.

The claims liability of \$165,589 reported in the Internal Service Fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$94,898	\$862,134	\$824,255	\$132,777
2001	132,777	1,709,576	1,676,764	165,589

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2001, 5.5 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, 2001, 2000, and 1999 were \$88,721, \$88,642, and \$96,948, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$44,360 representing the unpaid contribution for fiscal year 2001, 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.

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, 2001, 2000, and 1999 were \$560,310, \$338,805, and \$259,628, respectively; 82.56 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$97,720 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, 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 \$265,410 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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, 2001, employer contributions to fund health care benefits were 8.45 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 2001, 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 2001 fiscal year equaled \$163,168.

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, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 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, 2001

NOTE 13 - 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 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for furniture, fixtures and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the General Fixed Assets Account Group in the amount of \$64,793. This amount represents the present value of the minimum lease payments at the time of acquisition. The District paid off the corresponding liability that was recorded in the General Long-Term Obligations Account Group in fiscal year 2001. Principal payments in fiscal year 2001 totaled \$1,202 in the General Fund.

NOTE 15 - NOTE DEBT

	Issue Date	Interest Rate	Balance 6/30/00	Additions	Deletions	Balance 6/30/01
Permanent Improvement Tax Anticipation Notes	1998	4.40%	\$262,879	\$0	\$131,440	\$131,439

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - NOTE DEBT - (Continued)

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. Payments will be made from the Permanent Improvement Capital Projects Fund.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Issue Date	Interes t Rate	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
<i>General Obligation Debt:</i>						
Energy Conservation Loan	1989	0.00%	\$36,111	\$0	\$5,556	\$30,555
School Energy Conservation Improvement Installment Payment Note	1998	4.90%	845,777	0	48,053	797,724
<i>Other Long-Term Obligations:</i>						
Capital Lease Payable			1,202	0	1,202	0
Compensated Absences Payable			885,461	1,540	0	887,001
Intergovernmental Payable			77,729	83,909	77,729	83,909
Tax Refund Payable			22,218	0	8,887	13,331
Total General Long-Term Obligations			<u>\$1,868,498</u>	<u>\$85,449</u>	<u>\$141,427</u>	<u>\$1,812,520</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.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

The District issued a School Energy Conservation Improvement Installment Payment Note, dated May 1, 1998 which will mature on May 1, 2013. The proceeds of this note are to be used for energy conservation measures including installations, modifications, or remodeling to reduce energy consumption in buildings owned by the 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.

The capital lease obligation was paid off in 2001 from the General Fund. 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 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 \$14,049,873 with an energy conservation debt margin of \$1,487,815 and an unvoted debt margin of \$165,313 at June 30, 2001.

Principal requirements to retire long-term notes and loans outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	55,964	39,088	95,052
2003	58,434	36,618	95,052
2004	61,025	34,027	95,052
2005	63,743	31,309	95,052
2005-2009	344,934	110,882	455,816
2010-2013	244,179	24,310	268,489
Total	<u>\$828,279</u>	<u>\$276,234</u>	<u>\$1,104,513</u>

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 17 - INTERFUND RECEIVABLES/PAYABLES

Interfund balances at June 30, 2001 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$109,722	\$0
<i>Special Revenue Funds:</i>		
Public School Support	299	312
District Managed Activities	0	440
Ohio Children's Trust	0	985
Ohio Reads	0	15,000
Eisenhower Grant	0	743
Title I	0	38,541
<i>Total Special Revenue Funds</i>	299	56,021
<i>Enterprise Fund:</i>		
Food Service	0	54,000
Totals	\$110,021	\$110,021

NOTE 18 - 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 2001, the School District paid \$29,991 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, 2001

NOTE 18 - 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 2001, 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 2001, the School District paid \$2,401 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 19 - 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, 2001.

Litigation

The School District is not party to any legal proceedings.

NOTE 20 - SET-ASIDE CALCULATIONS

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

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - SET-ASIDE CALCULATIONS - (Continued)

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, 2000	\$0	\$0	\$261,598
Current Year Set-Aside Requirement	260,256	260,256	0
Prior Year Balance Carried Forward	(71,049)	0	0
Receipts	0	0	24,268
Current Year Offsets	0	(244,702)	0
Reduction in Requirement Based on Revised Legislation	0	0	(108,122)
Qualifying Disbursements	(190,170)	(445,539)	(68,169)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$963)	(\$429,985)	\$109,575
Set-Aside Reserve Balance as of June 30, 2001	<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 21 - SUBSEQUENT EVENTS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

CARLISLE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 21 - SUBSEQUENT EVENTS - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 19, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$27,218	\$0	\$27,218
School Breakfast Program	05-PU 00/01	10.553	9,664	0	9,664	0
National School Lunch Program	LL-P1/P4 00/01	10.555	81,043	0	81,043	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>90,707</u>	<u>27,218</u>	<u>90,707</u>	<u>27,218</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A, CSEA	N/A	84.010	0	0	9,067	0
	C1-S1-00		32,324	0	93,693	0
	N/A		0	0	12,178	0
	C1-S1-01		<u>145,538</u>	<u>0</u>	<u>161,316</u>	<u>0</u>
Total Title I, Part A, CSEA			177,862	0	276,254	0
Drug Free Schools Grant	DR-S1-01	84.186	7,165	0	3,549	0
Innovative Education Program Strategies	N/A	84.298	0	0	1,010	0
	C2-S1-00		0	0	260	0
	C2-S1-01		<u>8,551</u>	<u>0</u>	<u>8,551</u>	<u>0</u>
Total Innovative Education Program Strategies			8,551	0	9,821	0
Special Education Cluster:						
Handicapped Pre-School Grant	N/A	84.173	0	0	1,193	0
Handicapped Pre-School Grant	PG-S1-01		1,408	0	963	0
			<u>1,408</u>	<u>0</u>	<u>2,156</u>	<u>0</u>
Special Education Grant to States	N/A	84.027	0	0	12,175	0
	6B-SF-01		95,589	0	79,110	0
			<u>95,589</u>	<u>0</u>	<u>91,285</u>	<u>0</u>
Total Special Education Cluster			96,997	0	93,441	0
Continuous Improvement Implementation Grant	G2-S2-00	84.276	21,000	0	17,227	0
	G2-S2-01		14,000	0	1,149	0
			<u>35,000</u>	<u>0</u>	<u>18,376</u>	<u>0</u>
Eisenhower Professional Development State Grant	N/A	84.281	0	0	1,466	0
	MS-S1-01		6,683	0	7,221	0
Total Eisenhower Professional Development State Grant			6,683	0	8,687	0
Title VI-R Class Size Reduction	N/A	84.340	0	0	6,511	0
	CR-S1-01		37,887	0	31,709	0
			<u>37,887</u>	<u>0</u>	<u>38,220</u>	<u>0</u>
Total Department of Education			<u>370,145</u>	<u>0</u>	<u>448,348</u>	<u>0</u>
TOTALS			<u>\$460,852</u>	<u>\$27,218</u>	<u>\$539,055</u>	<u>\$27,218</u>

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

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

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

Nonmonetary 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, 2001, the District has no significant food commodities in inventory.



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**REPORT OF INDEPENDENT ACCOUNTANTS 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, 2001, and have issued our report thereon dated December 19, 2001. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10483-001.

We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2001.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 19, 2001.

Carlisle Local School District
Warren County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and 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.

Jim Petro
Auditor of State

December 19, 2001



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

Carlisle Local School District
Warren County
724 Fairview
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, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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, 2001. However, the results of our auditing procedures disclosed an instances 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 2001-10483-003.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. 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 conditions are described in the accompanying schedule of findings as items 2001-10483-002 and 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 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 do not believe the reportable conditions described above are material weakness.

This report is intended for the information and use of the audit committee, management, Board of Education, and 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.

Jim Petro
Auditor of State

December 19, 2001

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2001-10483-001

Noncompliance

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the

**FINDING NUMBER 2001-10483-001
 (Continued)**

fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides two exceptions to the above requirements:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than one thousand dollars, the fiscal officer may authorize payment through a Then and Now Certificate without the affirmation of the Board of Education, if such expenditure is otherwise valid.

The District did not properly certify the availability of funds for purchase commitments for 16.67% of expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the District obtain approved purchase orders, which contain the Treasurer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

We also reported this matter in our audit of the 1999 and 2000 management letter.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-10483-002
CFDA Title and Number	Nutrition Cluster - CFDA# 10.550, 10.553, and 10.555
Federal Award # and Year	05-PU 00/01 and LL-P1/P4 00/01 Year 2001
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

3. FINDINGS FOR FEDERAL AWARDS

(Continued)

Reportable Condition

Eligibility

To assure that only eligible individuals receive free and reduced lunches, applications are to be filled out by the parents of children applying for free or reduced lunches. Applications meeting the requirements are signed as approved by the Assistant Superintendent for the student to receive free or reduced lunch as appropriate.

ODE puts out an online list of students pre-approved for free lunches. These individuals were carried forward without checking the list year after year. Some individuals included on the list have since withdrawn, and some individuals are no longer listed on the ODE list. This problem is consistent with the most recent ODE audit. A comparison of the number of students on the list approved for free lunches showed 91 fewer people were eating free lunch than show up on the approved free lunch list.

By not maintaining the list of students approved for free and reduced lunches the district increases the possibility of ineligible students receiving free or reduced lunches.

All students should be required to fill out applications every year. Corrective action has been placed in operation for the current school year 2001-2002. All students are now required to turn in applications.

Finding Number	2001-10483-003
CFDA Title and Number	Nutrition Cluster - CFDA# 10.550, 10.553, and 10.555
Federal Award # and Year	05-PU 00/01 and LL-P1/P4 00/01 Year 2001
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance/Reportable Condition

Commodities Inventory

Accurate and complete 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 prima facie 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 facility's inventory records and maintained on file by the agency which contracted with or maintained the storage facility. Corrective action shall be taken immediately 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)).

3. FINDINGS FOR FEDERAL AWARDS

(Continued)

Inventory records for December of 2000 could not be located. In several instances CN-2 commodity totals contained variances when compared to inventory records maintained by the food service director. These errors were a result of inaccurate calculations programmed in the spreadsheets utilized by the food service director and inappropriate data input on the spreadsheets. When corrected the May/June Inventory records were found to be \$1,592.33 less than what was report on the CN-2.

Inventory records must be maintained accurately and completely by the District to lessen the probability of fraud or theft and assure quicker detection if it should occur. Inventory records are an integral part of the internal control system for safeguarding federal commodities.



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CARLISLE LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2002**