



Dave Yost • Auditor of State

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - June 30, 2011	15
Statement of Activities – For the Fiscal Year Ended June 30, 2011	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual (Budget Basis) – General Fund.....	21
Statement of Fiduciary Net Assets – Fiduciary Funds	22
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2011. ...	51
Notes to the Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2011	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.	55
Schedule of Findings and Corrective Action Plan.....	57
Schedule of Prior Audit Findings.....	61
Independent Accountants' Report on Applying Agreed-Upon Procedure	63

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Carlisle Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Carlisle Local School District, Warren County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 23 and 24 to the financial statements, the District was placed in fiscal caution effective February 25, 2008. Note 24 to the financial statements, describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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 basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 2, 2012

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Carlisle Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- ▶ The assets of the District exceeded its liabilities at June 30, 2011 by \$1,849,040. Of this amount, \$2,296,154 represents capital assets net of related debt and net asset amounts restricted for specific purposes and a deficit balance of \$447,114 in unrestricted net assets.
- ▶ In total, net assets of governmental activities decreased by \$517,214, which represents a 21.86 percent decrease from 2010.
- ▶ General revenues accounted for \$9,776,152 or 56.52 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,521,863 or 43.48 percent of total revenues of \$17,298,015.
- ▶ The District had \$17,815,229 in expenses related to governmental activities; only \$7,521,863 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$9,776,152 were used to provide for the remainder of these programs.
- ▶ The District recognizes one major governmental fund: the General Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$14,620,222 in revenues and \$15,149,266 in expenditures in fiscal year 2011.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2011	2010
<u>Assets:</u>		
Current and Other Assets	\$6,857,172	\$7,282,685
Capital Assets, Net	2,363,083	2,514,117
<i>Total Assets</i>	<u>9,220,255</u>	<u>9,796,802</u>
<u>Liabilities:</u>		
Other Liabilities	6,346,296	6,262,304
Long-Term Liabilities	1,024,919	1,168,244
<i>Total Liabilities</i>	<u>7,371,215</u>	<u>7,430,548</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	2,196,436	2,243,519
Restricted	99,718	247,125
Unrestricted	(447,114)	(124,390)
<i>Total Net Assets</i>	<u><u>\$1,849,040</u></u>	<u><u>\$2,366,254</u></u>

Current and other assets decreased \$425,513 from fiscal year 2010, the result of a decrease in cash and cash equivalents held by the District.

Current (other) liabilities increased \$83,992 or 1.34 percent.

Long-term liabilities decreased \$143,325 as the result of scheduled debt payments made by the District.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District's smallest portion of net assets is unrestricted. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$99,718 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2011 and provides a comparison to fiscal year 2010.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<u>Revenues:</u>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$677,802	\$626,425
Operating Grants and Contributions	6,844,061	6,455,222
<i>General Revenues:</i>		
Property Taxes	4,593,261	4,505,236
Income Taxes	1,774,167	1,682,921
Unrestricted Grants and Entitlements	3,130,195	3,714,890
Payments in Lieu of Taxes	160,018	0
Investment Earnings	6,731	8,047
Miscellaneous	111,780	234,112
<i>Total Revenues</i>	17,298,015	17,226,853
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	8,276,083	7,674,255
Special	2,137,724	1,913,440
Vocational	208,252	227,949
Student Intervention Services	67,312	68,305

(Continued)

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2
Changes in Net Assets
(Continued)

	2011	2010
<i>Support Services:</i>		
Pupils	731,875	793,474
Instructional Staff	1,057,398	950,694
Board of Education	38,895	37,317
Administration	1,039,159	1,014,815
Fiscal	504,178	424,068
Business	12,389	10,343
Operation and Maintenance of Plant	1,542,992	1,452,114
Pupil Transportation	904,262	749,750
Central	48,403	50,621
<i>Operation of Non-Instructional Services:</i>		
Food Service	629,682	578,905
Extracurricular Activities	591,898	527,534
Interest and Fiscal Charges	24,727	25,055
<i>Total Expenses</i>	17,815,229	16,498,639
<i>Change in Net Assets</i>	(517,214)	728,214
Net Assets – Beginning of Year	2,366,254	1,638,040
Net Assets – End of Year	\$1,849,040	\$2,366,254

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Instructional Staff and Administration. These programs account for 78.89 percent of the total governmental activities. Regular Instruction, which accounts for 46.46 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.00 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 8.66 percent of the total, represents costs associated with operating and maintaining the District's facilities. Instructional Staff, which represents 5.94 percent of the total cost, represents costs associated with assisting the teaching staff with the content and process of educating students. Administration, which represents 5.83 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

The majority of the funding for the most significant programs indicated above is from operating grants, property taxes and grants and entitlements not restricted for specific programs. Operating Grants, property taxes and grants and entitlements not restricted for specific programs accounts for 84.21 percent of total revenues.

As noted previously, the net assets for governmental activities decreased \$517,214 or 21.86 percent. This is a change from last year when net assets increased \$728,214 or 44.46 percent. Total revenues increased \$71,162 or 0.41 percent over the last year and expenses increased \$1,316,590 or 7.98 percent over last year.

The District had program revenue increases of \$440,216 and a decrease in general revenues of \$369,054. The increase in program revenues and the decrease in general revenues is due mostly to the reclassification of grants revenue from unrestricted grants to operating grants.

The total expenses for governmental activities increased in several program expense categories primarily due to increased costs of regular and special instruction.

Governmental Activities

Over the past few fiscal years, the District has experienced a declining financial condition. The District is heavily dependent on property and income taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of General Fund revenue growth. Property and income taxes made up 36.81 percent and intergovernmental revenue made up 57.66 percent of the total revenue for the governmental activities in fiscal year 2011.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District's 2.0 mill Permanent Improvement Levy is an important piece of the financial picture. It funds not only facility maintenance and upkeep issues but also provides the bulk of the District's technology needs and a large percentage of the State's set-aside requirements for both textbooks and instructional materials and capital improvements.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2011, the District received \$6,884,186 through the State's foundation program, which represents 39.80 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 60.00 percent of governmental activities program expenses. Support services expenses make up 33.00 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011 compared with fiscal year 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost Of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
<i>Program Expenses:</i>				
Instruction	\$10,689,371	\$5,148,058	\$9,883,949	\$4,708,292
Support Services	5,879,551	4,706,212	5,483,196	4,336,180
Operation of Non-Instructional Services	629,682	(33,049)	578,905	(65,218)
Extracurricular Activities	591,898	447,418	527,534	412,683
Interest and Fiscal Charges	24,727	24,727	25,055	25,055
Total Expenses	<u>\$17,815,229</u>	<u>\$10,293,366</u>	<u>\$16,498,639</u>	<u>\$9,416,992</u>

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of \$17,228,904 and expenditures of \$17,806,773.

Total governmental funds fund balance decreased by \$577,869 or 65.84 percent. The decrease in fund balance for the year was most significant in the General Fund, which is primarily the result of increased expenditures.

The District should remain stable in fiscal years 2011 through 2013. However, projections beyond fiscal year 2013 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011, the District amended its General Fund budget one time. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was \$14,393,265 representing an increase of \$50 from the original budget estimate of revenue. For the General Fund, the final budget basis expenditures were \$15,198,995 representing an increase of \$50 from the original budget estimate of expenditures.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$11.8 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$9.4 million. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010.

Table 4
Capital Assets & Accumulated Depreciation at Year End

	<u>Governmental Activities</u>	
	2011	2010
<i>Nondepreciable Capital Assets:</i>		
Land	\$325,000	\$325,000
<i>Depreciable Capital Assets:</i>		
Land Improvements	218,348	216,073
Buildings and Improvements	6,298,671	6,279,968
Furniture, Fixtures and Equipment	3,613,719	3,493,299
Vehicles	1,321,648	1,315,698
<i>Total Capital Assets</i>	11,777,386	11,630,038
<i>Less Accumulated Depreciation:</i>		
Land Improvements	48,288	42,366
Buildings and Improvements	5,136,547	5,042,997
Furniture, Fixtures and Equipment	3,138,582	2,986,805
Vehicles	1,090,886	1,043,753
<i>Total Accumulated Depreciation</i>	9,414,303	9,115,921
<i>Capital Assets, Net</i>	2,363,083	2,514,117

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Debt Administration

At June 30, 2011, the District had \$166,647 in long-term general obligation debt outstanding with \$81,331 due within one year. Table 5 summarizes the long-term note outstanding for fiscal year 2011 compared to fiscal year 2010.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2011	2010
Energy Conservation Installment Note	\$166,647	\$244,179

More detailed information pertaining to the District's long-term debt activity can be found in the notes to the basic financial statements.

Current Issues

The economic climate at the time of this report is that we are in a recession. Property tax collections are down from previous years and are not projected to grow between fiscal years 2011 and 2012. The housing sector is in a serious slump or decline. The condition of the housing sector means that property tax revenue will not be increasing with new construction as previously projected. New construction in Carlisle's housing subdivisions has slowed to a trickle.

Carlisle Local School District has been placed in Fiscal Caution by the Ohio Department of Education because of its past deficit spending. A Fiscal Caution recovery plan has been filed with the Ohio Department of Education and it has been accepted by ODE. The plan eliminates deficit spending which is required by ODE for schools under Fiscal Caution.

A new Superintendent and a new Treasurer were hired in fiscal year 2011. The new Management has continued to cut spending to eliminate the deficit. Multiple positions have been eliminated and other changes have been made in operations to gain efficiency and reduce spending. The district is running a surplus for fiscal year 2012 but is projected to start deficit spending again in fiscal year 2013.

The District's enrollment (1,760) is currently flat and not projected to change much in the near future. The District is on the Bridge Formula for its State Foundation funding. The Bridge Formula showed an increase in State Aid funding from the state of Ohio. But due to the State's budget woes, the District has seen a significant overall reduction in funding for 2012. The District lost the State Fiscal Stabilization Fund Stimulus dollars, the American Recovery and Reinvestment Act dollars, and the elimination of the Tangible Personal Property reimbursement from the State of Ohio. The District's expenses are increasing with inflation but the State's support is decreasing. This is causing an ever increasing need for the District to have to cut expenditures to balance the budget. Revenue is flat to decreasing but expenses keep rising with inflation. For fiscal year 2010, the District opened enrollment at all grades which brought in some additional money.

The District is at the 20 mil floor for property tax revenue projections. This means that when the County would perform its tri-annual reappraisal the district would usually see an increase in property tax revenue. Fiscal year 2011 was a good year for property tax collections but with the current economy and credit crunch in the housing sector, our collections are now down. The County Auditor has also now reduced property values in his re-appraisal and this will cause a further reduction in our property tax collections.

CARLISLE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District was able to balance the budget in fiscal year 2011 through fiscal year 2012 with a combination of new revenue from open enrollment and spending reductions without dramatically affecting educational offerings, but in order to balance the budget beyond fiscal year 2012 either new revenue will be required or deep spending cuts that would affect our educational offerings will be necessary to balance the budget beyond fiscal year 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information, contact Dan Bassler, Treasurer of Carlisle Local School Board of Education, 724 Fairview Drive, Carlisle, Ohio 45005.

CARLISLE LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,437,855
Property Taxes Receivable	4,717,228
Intergovernmental Receivable	10,300
Income Taxes Receivable	691,204
Inventory Held for Resale	585
Nondepreciable Capital Assets	325,000
Depreciable Capital Assets, Net	<u>2,038,083</u>
 <i>Total Assets</i>	 <u>9,220,255</u>
 <u>Liabilities:</u>	
Accounts Payable	393
Accrued Wages and Benefits	1,716,218
Intergovernmental Payable	464,077
Accrued Interest Payable	1,342
Matured Compensated Absences Payable	28,220
Deferred Revenue	4,116,046
Early Retirement Incentive Payable	20,000
<i>Long-Term Liabilities:</i>	
Due within One Year	148,397
Due in More Than One Year	<u>876,522</u>
 <i>Total Liabilities</i>	 <u>7,371,215</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,196,436
<i>Restricted for:</i>	
Capital Projects	98,120
Other Purposes	1,598
Unrestricted	<u>(447,114)</u>
 <i>Total Net Assets</i>	 <u><u>\$1,849,040</u></u>

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$8,276,083	\$149,561	\$4,067,467	(\$4,059,055)
Special	2,137,724	0	1,267,758	(869,966)
Vocational	208,252	0	56,527	(151,725)
Student Intervention Services	67,312	0	0	(67,312)
<i>Support Services:</i>				
Pupil	731,875	0	0	(731,875)
Instructional Staff	1,057,398	0	0	(1,057,398)
Board of Education	38,895	0	0	(38,895)
Administration	1,039,159	0	306,876	(732,283)
Fiscal	504,178	0	2,448	(501,730)
Business	12,389	0	0	(12,389)
Operation and Maintenance of Plant	1,542,992	0	417,874	(1,125,118)
Pupil Transportation	904,262	0	434,702	(469,560)
Central	48,403	0	11,439	(36,964)
<i>Operation of Non-Instructional Services:</i>				
Food Services	629,682	384,708	278,023	33,049
Extracurricular Activities	591,898	143,533	947	(447,418)
Interest and Fiscal Charges	24,727	0	0	(24,727)
Total Governmental Activities	\$17,815,229	\$677,802	\$6,844,061	(10,293,366)
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				4,306,605
Capital Projects				286,656
<i>Income Taxes Levied for:</i>				
General Purposes				1,774,167
Grants and Entitlements not Restricted to Specific Programs				3,130,195
Payment in Lieu of Taxes				160,018
Investment Earnings				6,731
Miscellaneous				111,780
Total General Revenues				9,776,152
Change in Net Assets				(517,214)
<i>Net Assets at Beginning of Year</i>				2,366,254
<i>Net Assets at End of Year</i>				\$1,849,040

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,210,753	\$227,102	\$1,437,855
Property Taxes Receivable	4,429,742	287,486	4,717,228
Income Taxes Receivable	691,204	0	691,204
Intergovernmental Receivable	0	10,300	10,300
Interfund Receivable	16,266	0	16,266
Inventory Held for Resale	0	585	585
<i>Total Assets</i>	<u>\$6,347,965</u>	<u>\$525,473</u>	<u>\$6,873,438</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$393	\$0	\$393
Accrued Wages and Benefits	1,564,374	151,844	1,716,218
Intergovernmental Payable	414,140	49,937	464,077
Matured Compensated Absences Payable	27,902	318	28,220
Interfund Payable	0	16,266	16,266
Deferred Revenue	4,061,904	266,501	4,328,405
Early Retirement Incentive Payable	20,000	0	20,000
<i>Total Liabilities</i>	<u>6,088,713</u>	<u>484,866</u>	<u>6,573,579</u>
<u>Fund Balances:</u>			
Restricted	0	189,971	189,971
Assigned	30,681	0	30,681
Unassigned	228,571	(149,364)	79,207
<i>Total Fund Balances</i>	<u>259,252</u>	<u>40,607</u>	<u>299,859</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,347,965</u>	<u>\$525,473</u>	<u>\$6,873,438</u>

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Funds Balances	\$299,859
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,363,083
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:	
Property Taxes	212,359
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Energy conservation installment note	(166,647)
Accrued interest on note	(1,342)
Compensated absences	(858,272)
	<hr/>
Total liabilities that are not reported in the funds	(1,026,261)
	<hr/>
<i>Net Assets of Governmental Activities</i>	<u><u>\$1,849,040</u></u>

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$4,241,642	\$282,508	\$4,524,150
Income Taxes	1,774,167	0	1,774,167
Intergovernmental	8,232,514	1,740,295	9,972,809
Interest	6,731	0	6,731
Tuition and Fees	149,561	0	149,561
Extracurricular Activities	13,710	129,823	143,533
Rentals	6,650	0	6,650
Payments in Lieu of Taxes	91,920	68,098	160,018
Charges for Services	0	384,708	384,708
Contributions and Donations	0	1,746	1,746
Miscellaneous	103,327	1,504	104,831
<i>Total Revenues</i>	<u>14,620,222</u>	<u>2,608,682</u>	<u>17,228,904</u>
<u>Expenditures:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	7,203,821	907,683	8,111,504
Special	1,538,811	598,796	2,137,607
Vocational	213,014	0	213,014
Student Intervention Services	67,312	0	67,312
<i>Support Services:</i>			
Pupil	747,724	335	748,059
Instructional Staff	1,054,662	1,000	1,055,662
Board of Education	38,895	0	38,895
Administration	1,091,741	8,292	1,100,033
Fiscal	489,956	6,482	496,438
Business	12,389	0	12,389
Operation and Maintenance of Plant	1,352,871	216,185	1,569,056
Pupil Transportation	855,590	8,800	864,390
Central	36,964	11,439	48,403
Operation of Non-Instructional Services	0	610,803	610,803
Extracurricular Activities	445,516	159,761	605,277
<i>Debt Service:</i>			
Principal Retirement	0	103,951	103,951
Interest and Fiscal Charges	0	23,980	23,980
<i>Total Expenditures</i>	<u>15,149,266</u>	<u>2,657,507</u>	<u>17,806,773</u>
<i>Net Change in Fund Balances</i>	(529,044)	(48,825)	(577,869)
<i>Fund Balances at Beginning of Year, As Restated (See Note 3)</i>	<u>788,296</u>	<u>89,432</u>	<u>877,728</u>
<i>Fund Balances at End of Year</i>	<u>\$259,252</u>	<u>\$40,607</u>	<u>\$299,859</u>

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$577,869)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (151,034)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:
 Property taxes 69,111

Repayment of loan, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 103,951

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (747)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:
 Compensated absences 39,374

Change in Net Assets of Governmental Activities (\$517,214)

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$4,218,000	\$4,218,000	\$4,162,000	(\$56,000)
Income Taxes	1,700,000	1,700,000	1,745,585	45,585
Intergovernmental	8,289,480	8,289,530	8,232,514	(57,016)
Interest	8,620	8,620	6,731	(1,889)
Tuition and Fees	140,600	140,600	149,561	8,961
Rent	15,470	15,470	6,650	(8,820)
Extracurricular Activities	16,570	16,570	13,710	(2,860)
Payments in Lieu of Taxes	0	0	91,920	91,920
Miscellaneous	4,475	4,475	44,792	40,317
<i>Total Revenues</i>	<u>14,393,215</u>	<u>14,393,265</u>	<u>14,453,463</u>	<u>60,198</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	7,622,348	7,630,098	7,109,393	520,705
Special	1,465,806	1,468,006	1,518,131	(50,125)
Vocational	234,919	234,919	211,399	23,520
Student Intervention Services	82,560	82,560	67,312	15,248
<i>Support Services:</i>				
Pupils	765,351	765,351	693,411	71,940
Instructional Staff	891,305	891,405	1,016,721	(125,316)
Board of Education	34,190	34,190	38,910	(4,720)
Administration	1,059,455	1,059,535	1,096,198	(36,663)
Fiscal	476,979	476,949	492,990	(16,041)
Business	15,728	15,728	12,389	3,339
Operation and Maintenance of Plant	1,350,648	1,340,748	1,348,692	(7,944)
Pupil Transportation	704,522	704,372	846,313	(141,941)
Central	61,020	61,020	36,964	24,056
Extracurricular Activities	434,114	434,114	444,570	(10,456)
<i>Total Expenditures</i>	<u>15,198,945</u>	<u>15,198,995</u>	<u>14,933,393</u>	<u>265,602</u>
<i>Excess of Revenues (Under) Expenditures</i>	(805,730)	(805,730)	(479,930)	325,800
<i>Fund Balance at Beginning of Year</i>	<u>1,669,361</u>	<u>1,669,361</u>	<u>1,669,361</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$863,631</u></u>	<u><u>\$863,631</u></u>	<u><u>\$1,189,431</u></u>	<u><u>\$325,800</u></u>

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2011

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,088</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$21,088</u>
<i>Total Liabilities</i>	<u><u>\$21,088</u></u>

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Carlisle Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately 11.7 square miles. It is located in Warren and Montgomery Counties, and includes all of the City of Carlisle and portions of Miami and Franklin Townships. It is staffed by 82 non-certificated employees, 116 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,760 students and other community members. The District currently operates 7 instructional/support facilities.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with three jointly owned organizations: the Southwestern Ohio Computer Association (SWOCA), the Miami Valley Career Technology Center, and the Southwestern Ohio Educational Purchasing Council. The District is also associated with one insurance purchasing pool: EPC Worker's Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

A. Basis of Presentation

The District's basic financial statement consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

The following is the District's only major governmental fund:

General Fund- This fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources of the District whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of 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 (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 a 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 the fiscal year-end: property taxes available for advance, grants and interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$6,731, which \$1,274 is assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. The District had no investments at June 30, 2011.

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. As of June 30, 2011, the District reported no prepaid items.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. As of June 30, 2011, the District reported no restricted assets.

I. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years
Books and Educational Media	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments 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 District’s termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 15 years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees will be paid. As of June 30, 2011, the District reported \$28,220 in Matured Compensated Absences.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

L. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, matured claims and judgments, matured compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements liability when matured or for pension when service is rendered. Long-term loans, notes and capital leases are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Net assets restricted for other purposes are primarily from federal and state grants reported in the Special Revenue Funds. Of the District's \$99,718 restricted net assets, none are restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Assigned – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

O. Interfund Transactions

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2011, the District reported no extraordinary and special items.

Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE AND NET ASSETS

Changes in Accounting Principles

For fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the District's financial statements.

Restatement of Prior Year's Fund Balance and Net Assets

During 2011, it was determined that the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Nonmajor Governmental Fund</u>
Fund Balances, June 30, 2010	\$753,231	\$124,497
GASB 54 Change in Fund Structure	<u>35,065</u>	<u>(35,065)</u>
Adjusted Fund Balances, June 30, 2010	<u>\$788,296</u>	<u>\$89,432</u>

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 - ACCOUNTABILITY

Deficits in Fund Balance

The following funds had deficit fund balances as of June 30, 2011:

	<u>Deficit Fund Balance</u>
<i>Nonmajor Special Revenue Funds:</i>	
Children's Trust	\$535
Student Intervention Grant	160
Miscellaneous State Grants	1,412
Title VI-B	84,534
Title I	61,565
EHA Preschool Grant	750
Title VI-R	408

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis except for the Title VI-B and Title I Funds.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

- 1.Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2.Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3.Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
- 4.Advances-in, advances-out and principal payments on short-term notes are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$529,044)
<i>Adjustments:</i>	
Revenue Accruals	(166,759)
Expenditure Accruals	216,280
Encumbrances	<u>(407)</u>
Budget Basis	<u><u>(\$479,930)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds 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) of this section, 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 interim monies available for investment at any time; and
8. Under limited circumstances, corporate 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 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. 40, "Deposit and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2011, the carrying amount of all the District deposits was \$1,448,457. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2011, \$1,517,153 of the District's bank balance of \$1,767,153 was exposed to custodial risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance. The \$1,517,153 exposed to custodial risk was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name. The District had monies held in a depository that were not collateralized.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Investments: As of June 30, 2011, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
STAROhio	\$10,486	\$10,486

Interest Rate Risk: Interest rate risk is the risk, that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to those authorized by state statute in its investment policy. Standard and Poor's has assigned STAROhio a rating of "AAAm".

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investments be held in the name of the District. All of the District's investments are held in the name of the District.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy minimizes concentration of credit risk by diversifying assets by issuer as necessary. All of the District's investments are in STAROhio.

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 of 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 (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 7 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property tax) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Warren and Montgomery Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2011 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2011. 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 total amount available as an advance at June 30, 2011 was \$388,823 and is recognized as revenue. Of this total amount, \$367,838 was available to the General Fund and \$20,985 was available to the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$170,505,240	86.23%	\$150,009,020	84.45%
Public Utility Personal	26,978,780	13.64%	27,410,550	15.43%
Tangible Personal Property	262,467	0.13%	211,280	0.12%
Total Assessed Value	<u>\$197,746,487</u>	<u>100.00%</u>	<u>\$177,630,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.29		\$46.29	

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 8 - INCOME TAX

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated funds. During fiscal year 2011, the District had \$1,774,167 of income tax revenue in the General Fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, income taxes, accounts, intergovernmental and interfund. All receivables are considered collectible in full when due.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
<hr/>	
<i>Nonmajor Special Revenue Funds:</i>	
Title VI-B	\$10,300
Total Intergovernmental Receivable	<u><u>\$10,300</u></u>

CARLISLE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2011 was as follows:

<u>Asset Category</u>	<u>Balance at July 1, 2010</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2011</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$325,000	\$0	\$0	\$325,000
<i>Depreciable Capital Assets:</i>				
Land Improvements	216,073	2,275	0	218,348
Buildings and Improvements	6,279,968	18,703	0	6,298,671
Furniture, Fixtures and Equipment	3,493,299	120,420	0	3,613,719
Vehicles	1,315,698	5,950	0	1,321,648
Total Depreciable Capital Assets	11,305,038	147,348	0	11,452,386
Total Capital Assets	11,630,038	147,348	0	11,777,386
<i>Accumulated Depreciation:</i>				
Land Improvements	(42,366)	(5,922)	0	(48,288)
Buildings and Improvements	(5,042,997)	(93,550)	0	(5,136,547)
Furniture, Fixtures and Equipment	(2,986,805)	(151,777)	0	(3,138,582)
Vehicles	(1,043,753)	(47,133)	0	(1,090,886)
Total Accumulated Depreciation	(9,115,921)	(298,382)	0	(9,414,303)
Total Net Capital Assets	\$2,514,117	(\$151,034)	\$0	\$2,363,083

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$147,070
Special	3,648
Vocational	2,544
<i>Support Services:</i>	
Pupils	4,859
Instructional Staff	2,698
Administration	405
Fiscal	804
Operation and Maintenance of Plant	62,315
Pupil Transportation	43,074
Operation of Non-Instructional Services	16,238
Extracurricular Activities	14,727
	<hr/>
Total Depreciation Expense	<u><u>\$298,382</u></u>

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 11 - RISK MANAGEMENT

The 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 2011, the District contracted with commercial carriers for property, fleet, professional and general liability insurance. Coverage's provided are as follows:

Building/Contents and Boiler/Machinery	\$32,690,907
Building/Contents - replacement cost (90% co-insurance)	
Boiler/Machinery (\$1,000 deductible)	
Automobile Liability (\$1,000 deductible for collision and \$1,000 for comprehensive)	1,000,000
Uninsured Motorists (\$1,000 deductible for collision and \$1,000 for comprehensive)	1,000,000
General Liability:	
Per Occurrence (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000

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

For fiscal year 2011, the District participated in the EPC Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 21). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

Dental coverage is provided and was switched from a self-funded, self-insured internal service plan to a fully funded plan through the Educational Purchasing Cooperative (EPC). A third party administrator, CoreSource Inc. located in Westerville, Ohio reviews all claims and pays those claims in accordance with benefit guidelines. This change was effective the same date as the change in medical coverage. The School District pays \$83.55 for family and \$33.02 per month for single respectively per employee, which represents the entire premium.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 12 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 14 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for members and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$313,917, \$301,068, and \$358,364, respectively; 53.17 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7787, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,064,297, \$989,591, and \$1,151,719, respectively; 83.38 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, no members of the Board of Education have elected Social Security.

NOTE 13 - POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Health Care Plan - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Medicare B Plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. Contributions for the years ended June 30, 2011, 2010 and 2009 were, \$2,828, \$2,507, and \$3,824, respectively, which equaled the required contributions each year

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$81,869, \$70,734, and \$181,714, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

State Teachers Retirement System

Plan Description - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (888)227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$100,381, \$76,122 and \$88,594 respectively; 100 percent has been contributed for years 2011, 2010, and 2009.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five 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 who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for aides and all other classified employees and 240 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit.

Health, Prescription Drug, and Life Insurance

On April 1, 2003, the District began providing medical/surgical benefits through a fully funded PPO medical plan with Anthem. The District pays \$1,218 for family and \$646 for single coverage per month, which represents ninety and ninety-five percent of the premium respectively.

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

NOTE 15 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2011 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2011</u>	<u>Amount Due In One Year</u>
<i><u>Governmental Activities:</u></i>							
School Energy Conservation Improvement Installment Payment Note	1998	4.90%	\$244,179	\$0	\$77,532	\$166,647	\$81,331
Compensated Absences Payable			897,646	346,824	386,198	858,272	67,006
Capital Lease Payable			26,419	0	26,419	0	0
Total Governmental Activities Long-Term Obligations			<u>\$1,168,244</u>	<u>\$346,824</u>	<u>\$490,149</u>	<u>\$1,024,919</u>	<u>\$148,397</u>

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

The District issued a \$935,255 School Energy Conservation Improvement Installment Payment Note, dated May 1, 1998 which will mature on May 1, 2013. The proceeds of this note are to be used for energy conservation measures including installations, modifications, or remodeling to reduce energy consumption in buildings owned by the District in a proposed project which was approved by the Ohio School Facilities Commission. Unless paid from other sources, the note will be payable from an ad valorem tax to be levied upon all taxable property in the District within the limitations prescribed by law.

Compensated absences will be paid from the fund from which the employee is paid. The capital lease payable will be paid from the Permanent Improvement Capital Projects Fund.

The District's overall legal debt margin was \$15,820,130 with an unvoted debt margin of \$177,631 at June 30, 2011.

The annual requirements to retire the energy conservation note outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2012	\$81,331	\$8,166	\$89,497
2013	85,316	4,178	89,494
Total Debt Payments	<u>\$166,647</u>	<u>\$12,344</u>	<u>\$178,991</u>

CARLISLE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 16 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Special Revenues:</i>			
Athletics	\$0	\$32,702	\$32,702
Food Service	0	70,293	70,293
Special Trust	0	18	18
Local Grants	0	1,229	1,229
Federal Grants	0	351	351
Capital Projects	0	85,378	85,378
<i>Assigned:</i>			
Encumbrances	407	0	407
Public School Support	30,274	0	30,274
<i>Unassigned</i>			
	<u>228,571</u>	<u>(149,364)</u>	<u>79,207</u>
Total Fund Balances	<u>\$259,252</u>	<u>(\$40,607)</u>	<u>\$299,859</u>

NOTE 17- INTERFUND ACTIVITY

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$16,266	\$0
<i>Nonmajor Special Revenue Funds:</i>		
District Managed Activities	0	4,546
Children's Trust	0	535
Student Intervention Grant	0	160
Miscellaneous State Grants	0	1,496
Title VI-B	0	7,797
Title I	0	962
Pre-School Handicap Grant	0	750
Miscellaneous Federal Grants	0	20
Total Nonmajor Special Revenue Funds	<u>0</u>	<u>16,266</u>
Total	<u>\$16,266</u>	<u>\$16,266</u>

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 17- INTERFUND ACTIVITY - (Continued)

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 18 - STATUTORY SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Current Year Set-Aside Requirement	\$267,042	\$267,042
Prior Year Balance Carried Forward	(341,376)	0
Current Year Offset	0	(404,584)
Qualifying Disbursements	(465,236)	(245,854)
Totals	<u>(\$539,570)</u>	<u>(\$383,396)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$539,570)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

The 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.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 19 – ENCUMBRANCE COMMITMENTS

At June 30, 2011, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$407
<u>Nonmajor Funds</u>	
Public School Support	474
District Managed Activity	4,020
Student Intervention Grant	265
Title I	120
Total Nonmajor Funds	<u>4,879</u>
Total Encumbrances	<u>\$5,286</u>

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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 2011, the District paid \$45,882 to SWOCA.

Financial information can be obtained by contacting SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio, 45011-2241.

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 2011, the 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.

CARLISLE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS- (Continued)

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). 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 2011, the District paid \$2,564 in membership fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, at 303 Corporate Center Dr., Suite 208, Vandalia, Ohio 45377.

NOTE 21 - INSURANCE PURCHASING POOL

EPC Worker's Compensation Group Rating Plan

The District participates in the EPC Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool established in Section 4123.39 of the Ohio Revised Code. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 22 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

NOTE 23- FISCAL CAUTION

On February 25, 2008, the Ohio Department of Education placed the District in fiscal caution. The District received a performance audit done by the Auditor of State's Office in September 2008.

CARLISLE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 24 - FINANCIAL DIFFICULTIES

The District has been carrying forward a deficit ever since the District replaced an expiring property tax levy with a 1% income tax which took effect in 2004. The Ohio Department of Taxation estimated the District would have received approximately \$1.4 million annually from the new income tax but actually only received about \$800,000 in 2005. This first year shortfall during the income tax's ramp up period caused an unplanned deficit that has carried forward to the current year. The District replaced its Superintendent and Treasurer in fiscal year 2008 and the new management has been reducing personnel and cutting spending in order to balance the budget. The District has also been placed in Fiscal Caution by the Ohio Department of Education as of February 25, 2008. The District has a General Fund balance of \$259,252 at the end of fiscal year 2011. During fiscal year 2011, the District received \$1.8 million in income tax revenue. The Five Year Forecast indicates deficits again after fiscal year 2013, therefore management is reviewing with the School Board the need for additional revenues to ensure the solvency of the District going forward.

As of June 30, 2011, the District had \$407 in encumbrances leaving a cash basis fund balance of \$1,189,430 in the General Fund. Also, the District has met or exceeded the Fiscal Caution Recovery Plan filed with the Department of Education for fiscal year 2011.

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2011	10.555		\$41,945		\$41,945
Cash Assistance:						
National School Breakfast Program	2011	10.553	\$38,856		\$38,856	
National School Lunch Program	2011	10.555	233,058		233,058	
Total Child Nutrition Cluster			271,914	41,945	271,914	41,945
Total U.S. Department of Agriculture			271,914	41,945	271,914	41,945
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	313,405		313,405	
	2010	84.027	31,913		-	
ARRA - Special Education - Grants to States	2011	84.391	74,825		82,622	
	2010	84.391	47,993		11,616	
Special Education - Preschool Grant	2011	84.173	1,979		1,979	
ARRA - Special Education - Preschool Grant	2010	84.392	3,016		-	
Total Special Education Cluster			473,131		409,622	
Title I Grants to Local Educational Agencies	2011	84.010	188,025		188,988	
	2010	84.010	11,184		-	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	58,405		58,405	
	2010	84.389	17,572		3,988	
Total Title I Grants to Local Educational Agencies			275,186		251,381	
Education Technology State Grants	2011	84.318	76		-	
	2010	84.318	1,718		-	
Total Education Technology State Grants			1,794		-	
Improving Teacher Quality State Grants	2011	84.367	81,215		81,215	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	582,567		582,567	
Total U.S. Department of Education			1,413,893		1,324,785	
TOTAL FEDERAL ASSISTANCE			\$1,685,807	\$41,945	\$1,596,699	\$41,945

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

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2012, wherein we noted the District was placed in fiscal caution effective February 25, 2008. We also noted the District adopted the provisions of Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 2, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 2, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Carlisle Local School District, Warren County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Carlisle Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-02.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-02. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 2, 2012

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS & CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA# 84.027, 84.173, 84.391, 84.392 State Fiscal Stabilization Fund CFDA# 84.394 Nutrition Cluster CFDA# 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-01

Noncompliance

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the transactions tested in fiscal year 2011 there were three out of 11 items tested (27%) that were not properly encumbered and none of the above mentioned exceptions were used. All three expenditures were not properly encumbered due to the invoice dates or expenditure receipt dates submitted for reimbursement preceding the purchase order date.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2011-01
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used and signed by the Treasurer.

Officials' Response:

The District will continue to make effort to ensure that all expenses are encumbered prior to any purchases being made. The District will educate all employees to make sure that all purchases have prior approval.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance and Significant Deficiency - Reporting

Finding Number	2011-02
CFDA Title and Number	84.394 - State Fiscal Stabilization Fund (SFSF) – ARRA
Federal Award Number / Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (3) (D)** requires the Federal agency shall submit a report to the agency that contains a detailed list of all projects or activities for which recovery funds were expended or obligated, including an estimate of the number of jobs created and the number of jobs retained by the project or activity. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states recipient reports are required to include a list of projects and activities funded by name with estimates on the jobs created or retained.

The **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the number of jobs created or saved with SFSF funds.

During fiscal year 2011, the District reported 3.72 or 4 Full-Time Equivalency's (FTE's) for every quarter of the fiscal year which did not match their supporting documentation, indicating a lack of internal control. The District should include all employees paid with SFSF funding in the 1512 FTE calculation. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding.

**FINDING NUMBER 2011-02
(Continued)**

We recommend the Treasurer include all employees paid with SFSF funds when preparing the FTE calculation, in accordance with 1512 requirements.

Officials' Response and Corrective Action Plan:

Carlisle Local School District will insure that all future ARRA Section 1512 (b) & (c) reporting will be done correctly to accurately reflect the number of FTE's being paid by having the survey reviewed by the Superintendent before submission.

**CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery- Repaid Under Audit: Board member overpaid	Yes	
2010-002	Internal control weakness- misstatement of accrued wages	Yes	
2010-003	ORC § 5705.41(D)(1), failure to properly encumber funds	No	Not corrected-Reissued as Finding 2011-01

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Carlisle Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 24, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 2, 2012

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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
MARCH 20, 2012**