



Dave Yost • Auditor of State



**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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# Dave Yost • Auditor of State

## 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, 2012, 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 Carlisle Local School District, Warren County, Ohio, as June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, 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*, *Required budgetary comparison schedule* 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 expenditure 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 expenditure 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

January 30, 2013

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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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, 2012. 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, 2012 by \$1,107,667. Of this amount, \$2,331,503 represents capital assets net of related debt and net asset amounts restricted for specific purposes and a deficit balance of \$1,223,836 in unrestricted net assets.
- ▶ In total, net assets of governmental activities decreased by \$741,373, which represents a 40.10 percent decrease from 2011.
- ▶ General revenues accounted for \$13,916,455 or 83.50 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,750,780 or 16.50 percent of total revenues of \$16,667,235.
- ▶ The District had \$17,408,608 in expenses related to governmental activities; only \$2,750,780 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 \$13,916,455 and net assets from the prior year 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 \$14,396,732 in revenues and \$15,312,968 in expenditures in fiscal year 2012.

**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*  
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*(Unaudited)*

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**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*  
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(Unaudited)

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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*  
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(Unaudited)

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**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 2012 compared to fiscal year 2011:

Table 1  
**Net Assets at Year End**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$6,071,042	\$6,857,172
Capital Assets, Net	2,275,976	2,363,083
<i>Total Assets</i>	<u>8,347,018</u>	<u>9,220,255</u>
<b><u>Liabilities:</u></b>		
Other Liabilities	6,441,125	6,346,296
Long-Term Liabilities	798,226	1,024,919
<i>Total Liabilities</i>	<u>7,239,351</u>	<u>7,371,215</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	2,190,660	2,196,436
Restricted	140,843	99,718
Unrestricted	<u>(1,223,836)</u>	<u>(447,114)</u>
<i>Total Net Assets</i>	<u><u>\$1,107,667</u></u>	<u><u>\$1,849,040</u></u>

Current and other assets decreased \$786,130 from fiscal year 2011, the result of a decrease in cash and cash equivalents held by the District.

Current (other) liabilities increased \$94,829 or 1.49 percent.

Long-term liabilities decreased \$226,693 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*  
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*(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 \$140,843 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 2012 and provides a comparison to fiscal year 2011.

Table 2  
**Changes in Net Assets**

	<b><u>Governmental Activities</u></b>	
	<u>2012</u>	<u>2011</u>
<b><u>Receipts:</u></b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$658,463	\$677,802
Operating Grants and Contributions	2,092,317	6,844,061
<i>General Revenues:</i>		
Property Taxes	4,243,750	4,593,261
Income Taxes	1,842,340	1,774,167
Unrestricted Grants and Entitlements	7,527,123	3,130,195
Payments in Lieu of Taxes	198,690	160,018
Investment Earnings	2,371	6,731
Gain on Sale of Capital Asset	511	0
Miscellaneous	101,670	111,780
<i>Total Revenues</i>	<u>16,667,235</u>	<u>17,298,015</u>

(Continued)

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
(Unaudited)

Table 2  
**Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	8,180,253	8,276,083
Special	2,158,109	2,137,724
Vocational	210,161	208,252
Student Intervention Services	84,706	67,312
<i>Support Services:</i>		
Pupils	739,449	731,875
Instructional Staff	941,385	1,057,398
Board of Education	32,635	38,895
Administration	981,702	1,039,159
Fiscal	622,439	504,178
Business	15,403	12,389
Operation and Maintenance of Plant	1,298,081	1,542,992
Pupil Transportation	887,106	904,262
Central	46,495	48,403
<i>Operation of Non-Instructional Services:</i>		
Food Service	629,833	629,682
Extracurricular Activities	573,340	591,898
Interest and Fiscal Charges	7,511	24,727
<i>Total Disbursements</i>	<u>17,408,608</u>	<u>17,815,229</u>
<i>Change in Net Assets</i>	(741,373)	(517,214)
Net Assets-Beginning of Year	<u>1,849,040</u>	<u>2,366,254</u>
Net Assets-End of Year	<u><u>\$1,107,667</u></u>	<u><u>\$1,849,040</u></u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*(Unaudited)*

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The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Instructional Staff. These programs account for 77.89 percent of the total governmental activities. Regular Instruction, which accounts for 46.99 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.40 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 7.45 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 5.64 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Instructional Staff, which represents 5.41 percent of the total cost, represents costs associated with assisting the teaching staff with the content and process of educating students.

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 83.18 percent of total revenues.

As noted previously, the net assets for governmental activities decreased \$741,373 or 40.10 percent. This is a change from last year when net assets decreased \$517,214 or 21.86 percent. Total revenues decreased \$630,780 or 3.65 percent over the last year and expenses decreased \$406,621 or 2.28 percent over last year.

The District had program revenue decreases of \$4,771,083 and an increase in general revenues of \$4,140,303. The decrease in program revenues and the increase in general revenues is due mostly to the reclassification of grants revenue from operating grants to unrestricted grants.

The total expenses for governmental activities decreased in several program expense categories. The most significant decreased costs was in the Operation and Maintenance of Plant.

**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 36.52 percent and intergovernmental revenue made up 57.71 percent of the total revenue for the governmental activities in fiscal year 2012.

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*  
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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 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 2012, the District received \$7,042,283 through the State's foundation program, which represents 42.25 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 61.08 percent of governmental activities program expenses. Support services expenses make up 31.97 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 2012 compared with fiscal year 2011. 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
	2012	2012	2011	2011
<i>Program Expenses:</i>				
Instruction	\$10,633,229	\$8,749,633	\$10,689,371	\$5,148,058
Support Services	5,564,695	5,486,678	5,879,551	4,706,212
Operation of Non-Instructional Services	629,833	(36,421)	629,682	(33,049)
Extracurricular Activities	573,340	450,427	591,898	447,418
Interest and Fiscal Charges	7,511	7,511	24,727	24,727
Total Expenses	<u>\$17,408,608</u>	<u>\$14,657,828</u>	<u>\$17,815,229</u>	<u>\$10,293,366</u>

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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**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 \$16,629,689 and expenditures of \$17,548,849.

Total governmental funds fund balance decreased by \$918,649 or 306.36 percent. The decrease in fund balance for the year was most significant in the General Fund, which is primarily the result of increased expenditures and decreased revenues.

The District should remain stable in fiscal years 2013 through 2014. However, projections beyond fiscal year 2014 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 2012, 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 \$14,716,391 representing no change from the original budget estimate of revenue. For the General Fund, the final budget basis expenditures were \$15,894,994 representing an increase of \$1,795 from the original budget estimate of expenditures.

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
(Unaudited)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the District had \$12.0 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$9.7 million. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011.

Table 4

**Capital Assets & Accumulated Depreciation at Year End**

	<b><u>Governmental Activities</u></b>	
	<u>2012</u>	<u>2011</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$325,000	\$325,000
<i>Depreciable Capital Assets:</i>		
Land Improvements	218,348	218,348
Buildings and Improvements	6,314,486	6,298,671
Furniture, Fixtures and Equipment	3,746,938	3,613,719
Vehicles	<u>1,379,648</u>	<u>1,321,648</u>
<i>Total Capital Assets</i>	<u>11,984,420</u>	<u>11,777,386</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	54,244	48,288
Buildings and Improvements	5,230,364	5,136,547
Furniture, Fixtures and Equipment	3,285,650	3,138,582
Vehicles	<u>1,138,186</u>	<u>1,090,886</u>
<i>Total Accumulated Depreciation</i>	<u>9,708,444</u>	<u>9,414,303</u>
Capital Assets, Net	<u><u>\$2,275,976</u></u>	<u><u>\$2,363,083</u></u>

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, 2012*  
*(Unaudited)*

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**Debt Administration**

At June 30, 2012, the District had \$85,316 in long-term general obligation debt outstanding with \$85,316 due within one year. Table 5 summarizes the long-term note outstanding for fiscal year 2012 compared to fiscal year 2011.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

<u>Purpose</u>	<u>2012</u>	<u>2011</u>
Energy Conservation Installment Note	<u>\$85,316</u>	<u>\$166,647</u>

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 2012 and 2013. 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 2010. 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 deficit for fiscal year 2012.

The District's enrollment (1,750) 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. 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*  
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*(Unaudited)*

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The District was able to balance the budget in fiscal year 2013 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 2013 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 2013.

**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, 2012

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$816,015
Property Taxes Receivable	4,565,009
Income Taxes Receivable	689,313
Intergovernmental Receivable	705
Nondepreciable Capital Assets	325,000
Depreciable Capital Assets, Net	<u>1,950,976</u>
<i>Total Assets</i>	<u>8,347,018</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	15,575
Accrued Wages and Benefits	1,703,736
Intergovernmental Payable	413,728
Accrued Interest Payable	687
Matured Compensated Absences Payable	117,479
Deferred Revenue	4,053,663
Early Retirement Incentive Payable	136,257
<i>Long-Term Liabilities:</i>	
Due within One Year	158,160
Due in More Than One Year	<u>640,066</u>
<i>Total Liabilities</i>	<u>7,239,351</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	2,190,660
<i>Restricted for:</i>	
Capital Projects	139,264
Other Purposes	1,579
Unrestricted	<u>(1,223,836)</u>
<i>Total Net Assets</i>	<u><u>\$1,107,667</u></u>

See accompanying notes to the basic financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2012*

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$8,180,253	\$164,356	\$503,088	(\$7,512,809)
Special	2,158,109	0	1,159,625	(998,484)
Vocational	210,161	0	56,527	(153,634)
Student Intervention Services	84,706	0	0	(84,706)
<i>Support Services:</i>				
Pupil	739,449	0	600	(738,849)
Instructional Staff	941,385	0	2,472	(938,913)
Board of Education	32,635	0	0	(32,635)
Administration	981,702	0	0	(981,702)
Fiscal	622,439	0	0	(622,439)
Business	15,403	0	0	(15,403)
Operation and Maintenance of Plant	1,298,081	0	0	(1,298,081)
Pupil Transportation	887,106	0	72,185	(814,921)
Central	46,495	0	2,760	(43,735)
<i>Operation of Non-Instructional Services:</i>				
Food Services	629,833	372,617	293,637	36,421
Extracurricular Activities	573,340	121,490	1,423	(450,427)
Interest and Fiscal Charges	7,511	0	0	(7,511)
<i>Total Governmental Activities</i>	<u>\$17,408,608</u>	<u>\$658,463</u>	<u>\$2,092,317</u>	<u>(14,657,828)</u>
<b><u>General Revenues:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				3,974,371
Capital Projects				269,379
<i>Income Taxes Levied for:</i>				
General Purposes				1,842,340
Grants and Entitlements not Restricted to Specific Programs				7,527,123
Payment in Lieu of Taxes				198,690
Investment Earnings				2,371
Gain on Sale of Capital Assets				511
Miscellaneous				101,670
<i>Total General Revenues</i>				<u>13,916,455</u>
Change in Net Assets				(741,373)
<i>Net Assets at Beginning of Year</i>				<u>1,849,040</u>
<i>Net Assets at End of Year</i>				<u>\$1,107,667</u>

See accompanying notes to the basic financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$528,489	\$287,526	\$816,015
Property Taxes Receivable	4,352,950	212,059	4,565,009
Income Taxes Receivable	689,313	0	689,313
Intergovernmental Receivable	0	705	705
Interfund Receivable	8,196	0	8,196
<i>Total Assets</i>	<u>\$5,578,948</u>	<u>\$500,290</u>	<u>\$6,079,238</u>
<b><u>Liabilities and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$13,895	\$1,680	\$15,575
Accrued Wages and Benefits	1,524,711	179,025	1,703,736
Intergovernmental Payable	362,891	50,837	413,728
Matured Compensated Absences Payable	92,481	24,998	117,479
Interfund Payable	0	8,196	8,196
Deferred Revenue	4,105,206	197,851	4,303,057
Early Retirement Incentive Payable	136,257	0	136,257
<i>Total Liabilities</i>	<u>6,235,441</u>	<u>462,587</u>	<u>6,698,028</u>
<b><u>Fund Balances:</u></b>			
Restricted	0	237,654	237,654
Assigned	64,089	0	64,089
Unassigned	(720,582)	(199,951)	(920,533)
<i>Total Fund Balances</i>	<u>(656,493)</u>	<u>37,703</u>	<u>(618,790)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,578,948</u>	<u>\$500,290</u>	<u>\$6,079,238</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, 2012*

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**Total Governmental Funds Balances** (\$618,790)

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

Capital assets used in governmental activities are not financial resources  
 and therefore are not reported in the funds. 2,275,976

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 249,394

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	(85,316)	
Accrued interest on note	(687)	
Compensated absences	(712,910)	

Total liabilities that are not reported in the funds (798,913)

*Net Assets of Governmental Activities* \$1,107,667

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, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Property Taxes	\$3,939,558	\$267,157	\$4,206,715
Income Taxes	1,842,340	0	1,842,340
Intergovernmental	8,227,717	1,389,200	9,616,917
Interest	2,308	63	2,371
Tuition and Fees	164,356	0	164,356
Extracurricular Activities	12,844	108,646	121,490
Rentals	23,602	0	23,602
Payments in Lieu of Taxes	110,202	88,488	198,690
Charges for Services	0	372,617	372,617
Contributions and Donations	0	2,523	2,523
Miscellaneous	73,805	4,263	78,068
<i>Total Revenues</i>	<u>14,396,732</u>	<u>2,232,957</u>	<u>16,629,689</u>
<b><u>Expenditures:</u></b>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	7,364,102	771,774	8,135,876
Special	1,710,696	493,305	2,204,001
Vocational	218,227	0	218,227
Student Intervention Services	84,706	0	84,706
<i>Support Services:</i>			
Pupil	755,308	500	755,808
Instructional Staff	984,876	9,865	994,741
Board of Education	32,635	0	32,635
Administration	990,480	1,460	991,940
Fiscal	613,900	4,586	618,486
Business	15,403	0	15,403
Operation and Maintenance of Plant	1,220,508	38,146	1,258,654
Pupil Transportation	839,260	59,825	899,085
Central	43,735	2,760	46,495
Operation of Non-Instructional Services	2,382	635,252	637,634
Extracurricular Activities	436,750	128,911	565,661
<i>Debt Service:</i>			
Principal Retirement	0	81,331	81,331
Interest and Fiscal Charges	0	8,166	8,166
<i>Total Expenditures</i>	<u>15,312,968</u>	<u>2,235,881</u>	<u>17,548,849</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(916,236)</u>	<u>(2,924)</u>	<u>(919,160)</u>
<b><u>Other Financing Sources:</u></b>			
Proceeds from Sale of Capital Assets	491	20	511
<i>Net Change in Fund Balances</i>	(915,745)	(2,904)	(918,649)
<i>Fund Balances at Beginning of Year</i>	<u>259,252</u>	<u>40,607</u>	<u>299,859</u>
<i>Fund Balances at End of Year</i>	<u>(\$656,493)</u>	<u>\$37,703</u>	<u>(\$618,790)</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, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** (\$918,649)

*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. (87,107)

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 37,035

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. 81,331

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 655

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 145,362

*Change in Net Assets of Governmental Activities* (\$741,373)

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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$4,217,000	\$4,217,000	\$4,059,652	(\$157,348)
Income Taxes	1,815,000	1,815,000	1,844,203	29,203
Intergovernmental	8,408,568	8,412,371	8,227,717	(184,654)
Interest	7,000	7,000	2,308	(4,692)
Tuition and Fees	148,700	148,700	164,356	15,656
Rent	6,470	6,470	23,602	17,132
Extracurricular Activities	15,100	15,100	12,844	(2,256)
Payments in Lieu of Taxes	90,000	0	110,202	110,202
Miscellaneous	8,553	94,750	10,512	(84,238)
<i>Total Revenues</i>	14,716,391	14,716,391	14,455,396	(260,995)
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	7,885,358	7,885,864	7,422,516	463,348
Special	1,747,440	1,747,840	1,625,509	122,331
Vocational	229,293	229,293	218,345	10,948
Student Intervention Services	80,880	80,380	84,706	(4,326)
<i>Support Services:</i>				
Pupils	749,756	750,006	771,771	(21,765)
Instructional Staff	1,009,996	1,010,511	970,892	39,619
Board of Education	35,370	35,370	32,663	2,707
Administration	982,420	983,469	986,188	(2,719)
Fiscal	500,835	500,485	496,177	4,308
Business	13,850	13,850	14,881	(1,031)
Operation and Maintenance of Plant	1,335,464	1,335,414	1,225,369	110,045
Pupil Transportation	793,993	793,968	847,790	(53,822)
Central	53,120	53,120	43,735	9,385
Operation of Non-Instructional Services	0	0	2,382	(2,382)
Extracurricular Activities	475,424	475,424	437,219	38,205
<i>Total Expenditures</i>	15,893,199	15,894,994	15,180,143	714,851
<i>Excess of Revenues (Under) Expenditures</i>	(1,176,808)	(1,178,603)	(724,747)	453,856
<b><u>Other Financing Sources:</u></b>				
Proceeds from the Sale of Capital Assets	0	0	491	491
<i>Excess of Revenues and Other Financing Sources</i>				
<i>(Under) Expenditures</i>	(1,176,808)	(1,178,603)	(724,256)	454,347
<i>Fund Balance at Beginning of Year</i>	1,189,431	1,189,431	1,189,431	0
<i>Prior Year Encumbrances Appropriated</i>	406	406	406	0
<i>Fund Balance at End of Year</i>	\$13,029	\$11,234	\$465,581	\$454,347

See accompanying notes to the basic financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets*

*Fiduciary Fund*

*June 30, 2012*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$22,701</u>
<b><u>Liabilities:</u></b>	
Undistributed Monies	<u>\$22,701</u>
<i>Total Liabilities</i>	<u><u>\$22,701</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, 2012*

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**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 1,750 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, 2012*

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**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, 2012*

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**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, 2012*

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**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, 2012, but which were levied to finance fiscal year 2013 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, 2012*

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**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 2012 amounted to \$2,308, which \$543 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, 2012.

**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, 2012, 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, 2012, 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, 2012, 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, 2012*

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**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, 2012, the District reported \$117,479 in Matured Compensated Absences.



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**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 \$140,843 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, 2012*

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**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 2012, 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, 2012*

**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 2012.

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 - NEW GASB PRONOUNCEMENTS**

For fiscal year 2012, the District implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions". The implementation of GASB Statements No. 57 and 64 had no effect on the prior period fund balances of the District.

**NOTE 4 - ACCOUNTABILITY**

**Deficits in Fund Balance**

The following funds had deficit fund balances as of June 30, 2012:

	<u>Deficit Fund Balance</u>
General	\$656,493
<i>Nonmajor Special Revenue Funds:</i>	
Children's Trust	\$535
Student Intervention Grant	436
Miscellaneous State Grants	1,412
Education Job Fund	104,989
Title VI-B	1,342
Title I	90,174
EHA Preschool Grant	750
Title VI-R	293
Miscellaneous Federal Grant	20

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 Student Intervention Grant and Title I Funds.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**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).

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	(\$915,745)
Adjustments:	
Revenue Accruals	121,957
Expenditure Accruals	103,347
Encumbrances	(24,558)
Perspective Difference for Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(9,257)</u>
Budget Basis	<u><u>(\$724,256)</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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

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;
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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

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, 2012, the carrying amount of all the District deposits was \$828,225. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2012, \$898,196 of the District's bank balance of \$1,148,196 was exposed to custodial risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance. The \$898,196 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.

**Investments:** As of June 30, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
STAROhio	\$10,491	\$10,491

**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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**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 telephone companies) located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property tax) represent the collection of calendar year 2012 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 2009 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 2012 were levied after October 1, 2011, on the value as of December 31, 2010. 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, 2012 are available to finance fiscal year 2012 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 2012 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2012. 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, 2012 was \$261,952 and is recognized as revenue. Of this total amount, \$247,744 was available to the General Fund and \$14,208 was available to the Permanent Improvement Capital Projects Fund.



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**NOTE 7 - PROPERTY TAXES** - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percent	Amount	Percent
Arggricultural/Residential and Other Real Estate	\$150,009,020	84.45%	\$150,009,020	84.45%
Public Utility Personal	27,410,550	15.43%	27,410,550	15.43%
Tangible Personal Property	211,280	0.12%	211,280	0.12%
Total Assessed Value	<u>\$177,630,850</u>	<u>100.00%</u>	<u>\$177,630,850</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$46.29		\$46.29	

**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 2012, the District had \$1,842,340 of income tax revenue in the General Fund.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2012 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:

<u>Governmental Activities:</u>	
Nonmajor Special Revenue Funds:	
Education Job Fund	<u>\$705</u>
Total Intergovernmental Receivable	<u>\$705</u>



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**NOTE 10 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance at July 1, 2011</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2012</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$325,000	\$0	\$0	\$325,000
<i>Depreciable Capital Assets:</i>				
Land Improvements	218,348	0	0	218,348
Buildings and Improvements	6,298,671	15,815	0	6,314,486
Furniture, Fixtures and Equipment	3,613,719	137,771	(4,552)	3,746,938
Vehicles	<u>1,321,648</u>	<u>58,000</u>	<u>0</u>	<u>1,379,648</u>
Total Depreciable Capital Assets	<u>11,452,386</u>	<u>211,586</u>	<u>(4,552)</u>	<u>11,659,420</u>
Total Capital Assets	<u>11,777,386</u>	<u>211,586</u>	<u>(4,552)</u>	<u>11,984,420</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(48,288)	(5,956)	0	(54,244)
Buildings and Improvements	(5,136,547)	(93,817)	0	(5,230,364)
Furniture, Fixtures and Equipment	(3,138,582)	(151,620)	4,552	(3,285,650)
Vehicles	<u>(1,090,886)</u>	<u>(47,300)</u>	<u>0</u>	<u>(1,138,186)</u>
Total Accumulated Depreciation	<u>(9,414,303)</u>	<u>(298,693)</u>	<u>4,552</u>	<u>(9,708,444)</u>
Total Net Capital Assets	<u>\$2,363,083</u>	<u>(\$87,107)</u>	<u>\$0</u>	<u>\$2,275,976</u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 10 - CAPITAL ASSETS** - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$147,004
Special	3,307
Vocational	3,409
<i>Support Services:</i>	
Pupils	3,681
Instructional Staff	1,861
Administration	405
Fiscal	1,516
Operation and Maintenance of Plant	61,204
Pupil Transportation	44,690
Operation of Non-Instructional Services	16,484
Extracurricular Activities	15,132
Total Depreciation Expense	<u><u>\$298,693</u></u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**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 2012, 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 2012, 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 \$87.81 for family and \$34.70 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, 2012*

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**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, disability, and survivor 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 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under "Employers/Audit Resources".

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For Fiscal Year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$344,527, \$313,917, and \$301,068, respectively; which equaled the required contributions each year.

**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](http://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, 2012*

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**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, 2012, 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 2011, 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, 2012, 2011 and 2010 were \$1,060,303, \$1,064,297, and \$989,591, respectively; 84.04 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

**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, 2012, 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 2012 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 2012, the actuarially required allocation is 0.76 percent. Contributions for the years ended June 30, 2012, 2011 and 2010 were, \$2,886, \$2,828, and \$2,507, 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, 2012*

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### **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, 2012, 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 2012, 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, 2012, 2011, and 2010 were \$81,562, \$81,869, and \$70,734, 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](http://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](http://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, 2012, 2011 and 2010. 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, 2012, 2011, and 2010 were \$65,916, \$100,381 and \$76,122 respectively; 100 percent has been contributed for years 2012, 2011, and 2010.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**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 \$1,349 for family and \$716 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 2012 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2012</u>	<u>Amount Due In One Year</u>
<i><u>Governmental Activities:</u></i>							
School Energy Conservation Improvement Installment Payment Note	1998	4.90%	\$166,647	\$0	\$81,331	\$85,316	\$85,316
Compensated Absences Payable			<u>858,272</u>	<u>346,948</u>	<u>492,310</u>	<u>712,910</u>	<u>72,844</u>
Total Governmental Activities Long-Term Obligations			<u>\$1,024,919</u>	<u>\$346,948</u>	<u>\$573,641</u>	<u>\$798,226</u>	<u>\$158,160</u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**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 District's overall legal debt margin was \$15,901,461 with an unvoted debt margin of \$177,631 at June 30, 2012.

The annual requirements to retire the energy conservation note outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30	Energy Conservation Note		
	Principal	Interest	Total
2013	\$85,316	\$4,178	\$89,494
Total Debt Payments	<u>\$85,316</u>	<u>\$4,178</u>	<u>\$89,494</u>



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**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>Restricted:</i>			
<i>Special Revenues:</i>			
Athletics	\$0	\$15,586	\$15,586
Food Service	0	96,189	96,189
Special Trust	0	118	118
Local Grants	0	1,461	1,461
Capital Projects	0	124,300	124,300
<i>Assigned:</i>			
Encumbrances	24,558	0	24,558
Public School Support	39,531	0	39,531
<i>Unassigned</i>	<u>(720,582)</u>	<u>(199,951)</u>	<u>(920,533)</u>
Total Fund Balances	<u><u>(\$656,493)</u></u>	<u><u>\$37,703</u></u>	<u><u>(\$618,790)</u></u>

**NOTE 17- INTERFUND ACTIVITY**

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$8,196	\$0
<i>Nonmajor Special Revenue Funds:</i>		
District Managed Activities	0	4,546
Children's Trust	0	535
Student Intervention Grant	0	436
Miscellaneous State Grants	0	1,496
Title I	0	413
Pre-School Handicap Grant	0	750
Miscellaneous Federal Grants	0	20
Total Nonmajor Special Revenue Funds	<u>0</u>	<u>8,196</u>
Total	<u><u>\$8,196</u></u>	<u><u>\$8,196</u></u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**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 following changes occurred in the District's set-aside reserve accounts during fiscal year 2012:

	<u>Capital Acquisition</u>
Current Year Set-Aside Requirement	\$302,832
Prior Year Balance Carried Forward	\$0
Current Year Offset	(314,476)
Qualifying Disbursements	<u>(271,143)</u>
Total	<u>(282,787)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2011	<u><u>\$0</u></u>

Effective July 1, 2012, the textbook set-aside is no longer required and has been removed from the existing law. This balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is therefore not presented as being carried forward to future years.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 19 – ENCUMBRANCE COMMITMENTS**

At June 30, 2012, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$24,558
<u>Nonmajor Funds</u>	
Permanent Improvement	27,931
Food Service	2,528
Other Local Grants	217
Athletics and Band	739
Public School Support	2,030
Total Nonmajor Funds	<u>33,445</u>
Total Encumbrances	<u><u>\$58,003</u></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 2012, the District paid \$43,349 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 2012, 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, 2012*

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**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 2012, the District paid \$1,775 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**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.

**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, 2012*

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**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 budgetary balance (unencumbered cash) of \$465,581, and a GAAP basis deficit balance of \$656,493 at the end of fiscal year 2012. During fiscal year 2012, the District received \$1.8 million in income tax revenue. The Five Year Forecast indicates budgetary basis deficits again after fiscal year 2014, 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, 2012, the District had \$24,558 in encumbrances leaving a cash basis fund balance of \$465,581 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 2012.

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**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$37,282		\$37,282
Cash Assistance:					
National School Breakfast Program	10.553	\$52,355		\$52,355	
National School Lunch Program	10.555	234,712		234,712	
Total Child Nutrition Cluster		<u>287,067</u>	<u>37,282</u>	<u>287,067</u>	<u>37,282</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>287,067</u></b>	<b><u>37,282</u></b>	<b><u>287,067</u></b>	<b><u>37,282</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education - Grants to States, IDEA Part B	84.027	309,183		309,183	
ARRA - Special Education - Grants to States	84.391	10,300		2,502	
Special Education - Preschool Grant	84.173	1,974		1,974	
<i>Total Special Education Cluster</i>		<u>321,457</u>		<u>313,659</u>	
Additional Programs:					
Title I Grants to Local Educational Agencies	84.010	236,731		237,145	
Title IV, Drug Free Education Subsidy	84.186	-		295	
Education Technology State Grants	84.318	664		740	
Improving Teacher Quality State Grants	84.367	70,029		70,029	
ARRA Ohio Resident Educator Grant (RTT)	84.395	1,050		1,050	
Education Jobs Program	84.410	421,339		421,339	
<i>Total Additional Programs:</i>		<u>729,813</u>		<u>730,598</u>	
<b>Total U.S. Department of Education</b>		<b><u>1,051,270</u></b>		<b><u>1,044,257</u></b>	
<b>TOTAL FEDERAL ASSISTANCE</b>		<b><u>\$1,338,337</u></b>	<b><u>\$37,282</u></b>	<b><u>\$1,331,324</u></b>	<b><u>\$37,282</u></b>

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

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Carlisle City School District's (the 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

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





# 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2013, wherein we noted the District was placed in fiscal caution effective February 25, 2008. 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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

January 30, 2013



# 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, 2012. 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 Government'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, 2012.

### 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 would not necessarily 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.

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

January 30, 2013

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster CFDA# 84.027, 84.173, 84.391 Education Jobs Fund CFDA# 84.410
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2012-001**

**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 Treasurer 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.

**FINDING NUMBER 2012-001  
(Continued)**

There are several exceptions to the standard requirement stated above that a Treasurer'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 2012 there were 3 out of 17 items tested (18%) 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.

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.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	ORC § 5705.41(D)(1), failure to properly encumber funds	No	Not Corrected – Reissued as Finding 2012-001
2011-002	American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c), failure to report 1512 reports.	Yes	