



**Auditor of State  
Betty Montgomery**



**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying 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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Carlisle Local School District, Warren County, Ohio, as of June 30, 2005, and the respective changes in financial position, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2006, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

May 30, 2006

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(Unaudited)

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The discussion and analysis of the Carlisle Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2005. 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- ▶ The liabilities of Carlisle Local School District exceeded its assets at June 30, 2005 by \$372,955. This deficit balance was comprised of a \$2,081,375 balance in capital assets net of related debt and net asset amounts restricted for specific purposes and a deficit balance of \$2,454,330 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$916,979, which represents a 71.09 percent increase from 2004.
- ▶ General revenues accounted for \$14,301,310 or 90.69 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,468,641 or 9.31 percent of total revenues of \$15,769,951.
- ▶ The District had \$14,852,972 in expenses related to governmental activities; only \$1,468,641 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 \$14,301,310 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 \$13,972,082 in revenues and \$13,358,335 in expenditures in fiscal year 2005.

**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 Carlisle Local School 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**  
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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.



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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 three 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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**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 2005 compared to fiscal year 2004:

Table 1  
**Net Assets**

	<u>Governmental Activities</u>	
	2005	2004
<b><u>Assets:</u></b>		
Current and Other Assets	\$5,488,864	\$5,486,717
Capital Assets, Net	2,838,500	3,073,253
<i>Total Assets</i>	<u>8,327,364</u>	<u>8,559,970</u>
<b><u>Liabilities:</u></b>		
Long-Term Liabilities	1,770,321	2,053,855
Other Liabilities	6,929,998	7,796,049
<i>Total Liabilities</i>	<u>8,700,319</u>	<u>9,849,904</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	1,951,427	2,047,024
Restricted	129,948	20,114
Unrestricted	(2,454,330)	(3,357,072)
<i>Total Net Assets</i>	<u><u>(\$372,955)</u></u>	<u><u>(\$1,289,934)</u></u>

Current and other assets increased slightly from fiscal year 2004 by only \$2,147.

Current (other) liabilities decreased \$866,051 due to decreases in deferred revenue, intergovernmental payables, and notes payable.

Long-term liabilities decreased \$283,534 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.

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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 \$129,948 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 2005 and provides a comparison to fiscal year 2004.

Table 2  
**Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Revenues:</u></b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$592,990	\$603,185
Operating Grants and Contributions	862,631	642,608
Capital Grants and Contributions	13,020	0
<i>General Revenues:</i>		
Property Taxes	4,226,646	4,061,618
Income Taxes	1,426,540	226,269
Unrestricted Grants and Entitlements	8,483,825	7,814,769
Investment Earnings	15,717	7,351
Miscellaneous	148,582	83,786
<i>Total Revenues</i>	<u>15,769,951</u>	<u>13,439,586</u>
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	6,461,023	6,576,009
Special	1,651,935	1,473,371
Vocational	344,892	326,641
Other	5,311	113,375

(Continued)

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
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Table 2  
**Changes in Net Assets**  
(Continued)

	2005	2004
<i>Support Services:</i>		
Pupils	844,393	819,607
Instructional Staff	888,685	863,251
Board of Education	18,384	17,114
Administration	1,281,954	1,041,096
Fiscal	384,999	389,690
Business	43,667	34,601
Operation and Maintenance of Plant	1,169,264	1,127,266
Pupil Transportation	672,106	667,171
Central	55,753	46,475
<i>Operation of Non-Instructional Services:</i>		
Food Service	546,105	510,060
Other	0	53,450
Extracurricular Activities	420,005	420,081
Interest and Fiscal Charges	64,496	69,030
<i>Total Expenses</i>	14,852,972	14,548,288
<i>Change in Net Assets</i>	916,979	(1,108,702)
Net Assets – Beginning of Year	(1,289,934)	(181,232)
Net Assets – End of Year	(\$372,955)	(\$1,289,934)

**CARLISLE LOCAL SCHOOL DISTRICT**  
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The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant and Instructional Staff. These programs account for 77.10 percent of the total governmental activities. Regular Instruction, which accounts for 43.50 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 11.12 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 8.63 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 7.87 percent of the total, represents costs associated with operating and maintaining the District's facilities. Instructional Staff, which represents 5.98 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 property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 80.60 percent of total revenues.

As noted previously, the net assets for governmental activities increased \$916,979 or 71.09 percent. This is an increase from last year when net assets decreased \$1,108,702 or 611.76 percent. Total revenues increased \$2,330,365 or 17.34 percent over the last year and expenses increased \$304,684 or 2.09 percent over last year.

The District had program revenue increases of \$222,848, as well as increases in general revenues of \$2,107,517. The increase in program revenues is mostly due to an increase in operating grants and contributions. There was one significant increase in general revenues. Income taxes increased \$1,200,271 or 530.46 percent due to the first full year of collection since the approval of the income tax.

The total expenses for governmental activities decreased in several program expense categories as a result of the continued effort of the District to monitor and hold down expenses.

### **Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 26.80 percent and intergovernmental revenue made up 53.80 percent of the total revenue for the governmental activities in fiscal year 2005.

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**  
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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 both textbooks and instructional materials and capital improvements.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2005, the District received \$7,534,700 through the State's foundation program, which represents 47.78 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 56.98 percent of governmental activities program expenses. Support services expenses make up 36.08 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 2005 compared with fiscal year 2004. 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
	2005	2005	2004	2004
<i>Program Expenses:</i>				
Instruction	\$8,463,161	(\$8,003,092)	\$8,489,396	(\$7,898,550)
Support Services	5,359,215	(5,022,461)	5,006,271	(4,988,255)
Operation of Non-Instructional Services	546,105	26,338	563,510	(25,315)
Extracurricular Activities	420,005	(320,620)	420,081	(321,345)
Interest and Fiscal Charges	64,496	(64,496)	69,030	(69,030)
Total Expenses	<u>\$14,852,972</u>	<u>(\$13,384,331)</u>	<u>\$14,548,288</u>	<u>(\$13,302,495)</u>

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
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(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 and other financing sources of \$15,890,231 and expenditures of \$15,064,574.

Total governmental funds fund balance increased by \$825,657 or 34.78 percent. The increase in fund balance for the year was most significant in the General Fund, which is the result of increased revenue from the new income tax.

The District should remain stable in fiscal years 2006 through 2008. However, projections beyond fiscal year 2008 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 2005, the District amended its General Fund budget several times. 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 \$13,301,328 representing no change from the original budget estimate of revenue. For the General Fund, the final budget basis expenditures were \$13,116,186 representing no change from the original budget estimate of expenditures.

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
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(Unaudited)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the District had \$10.5 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$7.7 million. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

Table 4  
**Capital Assets & Accumulated Depreciation at June 30, 2005**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$325,000	\$325,000
<i>Depreciable Capital Assets:</i>		
Land Improvements	216,759	188,759
Buildings and Improvements	6,299,723	6,291,973
Furniture, Fixtures and Equipment	2,590,106	2,540,385
Vehicles	1,070,284	1,070,284
<i>Total Capital Assets</i>	<u>10,501,872</u>	<u>10,416,401</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	25,543	17,230
Buildings and Improvements	4,579,810	4,461,451
Furniture, Fixtures and Equipment	2,239,810	2,092,934
Vehicles	818,209	771,533
<i>Total Accumulated Depreciation</i>	<u>7,663,372</u>	<u>7,343,148</u>
Capital Assets, Net	<u><u>\$2,838,500</u></u>	<u><u>\$3,073,253</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*  
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**Debt Administration**

At June 30, 2005, the District had \$589,114 in long-term general obligation debt outstanding with \$66,594 due within one year. Table 5 summarizes long-term notes and loans outstanding for fiscal year 2005 compared to fiscal year 2004.

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

Purpose	2005	2004
Energy Conservation Installment Note	\$580,781	\$638,968
Energy Conservation Loan	8,333	13,889
Total	\$589,114	\$652,857

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**

As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

As indicated in the preceding financial information, the District relies on the State's foundation program for nearly half of their funding. In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court had two new Justices beginning in calendar year 2003 and another in calendar year 2005 and the new court may be called upon to address the issue. At this time there can be no reasonable estimate of the decision or its impact on school funding.

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

The State Legislature has also made several significant changes impacting local taxes:

In 2004, the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

**CARLISLE LOCAL SCHOOL DISTRICT**  
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*(Unaudited)*

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Effective January 1, 2001 non-municipal owned electric utilities and rural co-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2002 through 2006; after this a phase out formula would begin.

The Carlisle Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 77 percent of the District's real estate valuation.

Towards the end of calendar year 2002, key school personnel met with the Carlisle School District Financial Advisory Committee to discuss the impact of an existing Emergency Property Tax Levy that was due to expire on December 31, 2003. This levy was approved by the taxpayers in November 1998 for a period of five years (1999-2004) with the proceeds being used for the general operation of the District. The levy was originally approved at 6.81 mills but because of the rise in property values during the five years, the Warren County Auditor had reduced the levy to 5.90 mills. The levy generated approximately \$930,000 annually. In order to replace the revenue that would be lost when the levy expired, the committee looked at a number of different options. In November of 2002, the Committee recommended to the Board of Education that the District ask the voters to approve a 1.25 percent School District Income Tax. Ultimately, the Board of Education approved a resolution placing a 1 percent School Income Tax Levy on the May 2004 ballot. The Ohio Department of Taxation has certified that the 1 percent School Income Tax Levy would generate approximately \$1.5 million annually. With this amount, the District would not only be able to continue to offer the same educational opportunities and programs that were currently being provided, but would also be able to add new programs and services when needed. On May 26, 2004 the voters of the Carlisle Local School District approved the 1 percent School Income Tax.

Effective January 1, 2004, all residents of the Carlisle Local School District began paying 1 percent on certain earned income. Due to the nature of collections related to this type of tax (typically there is an 18-month lag between the time the tax goes into effect and the time the full amount certified is actually collected), the District realized there would be a shortfall of cash during the 2004-2005 school year. On July 1, 2003, the District borrowed \$750,000 (the maximum allowable by law) from Fifth Third Bank. This was accomplished through the issuance of a Tax Anticipation Note. Principal payments began December 1, 2004 and will continue annually until December 1, 2007. The note will be paid back from the General Fund with monies collected from School Income Tax.

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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The District has been working closely with the Ohio School Facilities Commission developing a Master Building Plan that would address the future building needs of the District. While no plan has been adopted, the Board of Education will continue with this process and eventually adopt a formal plan that meets both the short and long-term anticipated building requirements.

**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 Randy Stiver, Treasurer of Carlisle Local School Board of Education, 724 Fairview Drive, Carlisle, Ohio 45005.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*June 30, 2005*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$585,826
Property Taxes Receivable	4,174,681
Intergovernmental Receivable	16,692
Income Taxes Receivable	705,267
Inventory Held for Resale	6,398
Nondepreciable Capital Assets	325,000
Depreciable Capital Assets, Net	<u>2,513,500</u>
<i>Total Assets</i>	<u>8,327,364</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	320,412
Accrued Wages and Benefits	1,725,809
Contracts Payable	260
Intergovernmental Payable	399,883
Accrued Interest Payable	5,850
Matured Compensated Absences Payable	66,527
Deferred Revenue	3,812,257
Notes Payable	599,000
<i>Long-Term Liabilities:</i>	
Due within One Year	201,023
Due in More Than One Year	<u>1,569,298</u>
<i>Total Liabilities</i>	<u>8,700,319</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	1,951,427
<i>Restricted for:</i>	
Capital Projects	95,148
Other Purposes	34,800
Unrestricted	<u>(2,454,330)</u>
<i>Total Net Assets</i>	<u><u>(\$372,955)</u></u>

See accompanying notes to the basic financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b><u>Governmental Activities:</u></b>					
<i>Instruction:</i>					
Regular	\$6,461,023	\$69,053	\$190,772	\$13,020	(\$6,188,178)
Special	1,651,935	0	109,389	0	(1,542,546)
Vocational	344,892	0	77,835	0	(267,057)
Other	5,311	0	0	0	(5,311)
<i>Support Services:</i>					
Pupil	844,393	0	17,784	0	(826,609)
Instructional Staff	888,685	0	26,573	0	(862,112)
Board of Education	18,384	0	0	0	(18,384)
Administration	1,281,954	0	150	0	(1,281,804)
Fiscal	384,999	0	1,684	0	(383,315)
Business	43,667	0	0	0	(43,667)
Operation and Maintenance of Plant	1,169,264	0	1,494	0	(1,167,770)
Pupil Transportation	672,106	0	289,059	0	(383,047)
Central	55,753	0	0	0	(55,753)
<i>Operation of Non-Instructional Services:</i>					
Food Services	546,105	429,187	143,256	0	26,338
Extracurricular Activities	420,005	94,750	4,635	0	(320,620)
Interest and Fiscal Charges	64,496	0	0	0	(64,496)
<b>Total Governmental Activities</b>	<b>\$14,852,972</b>	<b>\$592,990</b>	<b>\$862,631</b>	<b>\$13,020</b>	<b>(13,384,331)</b>
 <b><u>General Revenues:</u></b>					
<i>Property Taxes Levied for:</i>					
General Purposes					3,941,678
Capital Projects					284,968
<i>Income Taxes Levied for:</i>					
General Purposes					1,426,540
Grants and Entitlements not Restricted to Specific Programs					8,483,825
Investment Earnings					15,717
Miscellaneous					148,582
<b>Total General Revenues</b>					<b>14,301,310</b>
Change in Net Assets					916,979
<i>Net Assets at Beginning of Year</i>					(1,289,934)
<i>Net Assets at End of Year</i>					<b>(\$372,955)</b>

See accompanying notes to the basic financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$373,093	\$212,733	\$585,826
Property Taxes Receivable	3,889,953	284,728	4,174,681
Income Taxes Receivable	705,267	0	705,267
Intergovernmental Receivable	0	16,692	16,692
Interfund Receivable	5,161	440	5,601
Inventory Held for Resale	0	6,398	6,398
<i>Total Assets</i>	<u>\$4,973,474</u>	<u>\$520,991</u>	<u>\$5,494,465</u>
<b><u>Liabilities and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$306,773	\$13,639	\$320,412
Accrued Wages and Benefits	1,580,534	145,275	1,725,809
Contracts Payable	0	260	260
Intergovernmental Payable	374,955	24,928	399,883
Accrued Interest Payable	1,172	0	1,172
Matured Compensated Absences Payable	66,527	0	66,527
Interfund Payable	0	5,601	5,601
Deferred Revenue	3,654,923	268,923	3,923,846
Notes Payable	599,000	0	599,000
<i>Total Liabilities</i>	<u>6,583,884</u>	<u>458,626</u>	<u>7,042,510</u>
<b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	270,795	67,672	338,467
Reserved for Property Taxes	235,030	15,805	250,835
<i>Unreserved, Undesignated, Reported in:</i>			
General Fund	(2,116,235)	0	(2,116,235)
Special Revenue Funds	0	(77,160)	(77,160)
Capital Projects Funds	0	56,048	56,048
<i>Total Fund Balances</i>	<u>(1,610,410)</u>	<u>62,365</u>	<u>(1,548,045)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,973,474</u>	<u>\$520,991</u>	<u>\$5,494,465</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, 2005*

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**Total Governmental Funds Balances** (\$1,548,045)

*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. 2,838,500

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 111,589

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 loan	(8,333)	
Energy conservation installment note	(580,781)	
Accrued interest on note	(4,678)	
Compensated absences	(754,720)	
Capital leases	(426,487)	
Total liabilities that are not reported in the funds		(1,774,999)

*Net Assets of Governmental Activities* (\$372,955)

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, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Property Taxes	\$3,938,251	\$285,226	\$4,223,477
Income Taxes	1,426,540	0	1,426,540
Intergovernmental	8,411,741	922,732	9,334,473
Interest	14,353	1,364	15,717
Tuition and Fees	69,053	0	69,053
Extracurricular Activities	14,707	80,043	94,750
Rentals	3,123	0	3,123
Charges for Services	0	429,187	429,187
Contributions and Donations	19,053	6,950	26,003
Miscellaneous	75,261	69,198	144,459
<i>Total Revenues</i>	<u>13,972,082</u>	<u>1,794,700</u>	<u>15,766,782</u>
<b><u>Expenditures:</u></b>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	6,213,350	216,692	6,430,042
Special	1,134,317	513,535	1,647,852
Vocational	340,460	0	340,460
Other	4,313	998	5,311
<i>Support Services:</i>			
Pupil	855,886	36,971	892,857
Instructional Staff	860,844	45,266	906,110
Board of Education	18,467	0	18,467
Administration	1,290,044	1,944	1,291,988
Fiscal	382,066	6,513	388,579
Business	43,667	0	43,667
Operation and Maintenance of Plant	1,180,232	40,660	1,220,892
Pupil Transportation	639,580	4,505	644,085
Central	55,753	0	55,753
Operation of Non-Instructional Services	2,395	562,978	565,373
Extracurricular Activities	311,720	102,804	414,524
<i>Debt Service:</i>			
Principal Retirement	7,581	126,068	133,649
Interest and Fiscal Charges	17,660	47,305	64,965
<i>Total Expenditures</i>	<u>13,358,335</u>	<u>1,706,239</u>	<u>15,064,574</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>613,747</u>	<u>88,461</u>	<u>702,208</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Proceeds from Sale of Capital Assets	429	0	429
Inception of Capital Lease	123,020	0	123,020
<i>Total Other Financing Sources (Uses)</i>	<u>123,449</u>	<u>0</u>	<u>123,449</u>
<i>Net Change in Fund Balances</i>	737,196	88,461	825,657
<i>Fund Balances at Beginning of Year (Restated -See Note 23)</i>	<u>(2,347,606)</u>	<u>(26,096)</u>	<u>(2,373,702)</u>
<i>Fund Balances at End of Year</i>	<u>(\$1,610,410)</u>	<u>\$62,365</u>	<u>(\$1,548,045)</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, 2005*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$825,657</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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.	(234,753)
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	3,169
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.	133,649
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	469
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:	
Increase in intergovernmental payables	143,923
Decrease in compensated absences	<u>167,885</u>
Total expenditures not reported in the funds	311,808
Other financing sources in the governmental funds that increase long-term liabilities in the statement of revenues, expenditures and changes in fund balances. These sources consist of:	
Inception of Capital Leases	<u>(123,020)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$916,979</u></u>

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, 2005*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b><u>Revenues:</u></b>				
Property Taxes	3,840,419	3,840,419	3,840,419	0
Income Taxes	896,512	896,512	896,512	0
Intergovernmental	8,411,741	8,411,741	8,411,741	0
Interest	14,353	14,353	14,353	0
Tuition and Fees	88,356	88,356	88,356	0
Rent	3,123	3,123	3,123	0
Extracurricular Activities	16,545	16,545	16,545	0
Gifts and Donations	19,053	19,053	19,053	0
Miscellaneous	11,226	11,226	11,226	0
<i>Total Revenues</i>	<u>13,301,328</u>	<u>13,301,328</u>	<u>13,301,328</u>	<u>0</u>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	6,285,442	6,285,442	6,174,880	110,562
Special	1,125,219	1,125,219	1,374,881	(249,662)
Vocational	337,542	337,542	355,217	(17,675)
Other	59,448	59,448	66,597	(7,149)
<i>Support Services:</i>				
Pupils	709,854	709,854	846,934	(137,080)
Instructional Staff	800,755	800,755	848,113	(47,358)
Board of Education	11,498	11,498	14,509	(3,011)
Administration	1,122,833	1,122,833	1,144,377	(21,544)
Fiscal	375,275	375,275	379,968	(4,693)
Business	32,970	32,970	48,702	(15,732)
Operation and Maintenance of Plant	1,159,252	1,159,252	1,192,111	(32,859)
Pupil Transportation	615,116	615,116	650,061	(34,945)
Central	49,001	49,001	63,354	(14,353)
Operation of Non-Instructional Services	5,000	5,000	2,396	2,604
Extracurricular Activities	254,372	254,372	302,801	(48,429)
<i>Debt Service:</i>				
Principal Retirement	156,556	156,556	156,556	0
Interest	16,053	16,053	16,053	0
<i>Total Expenditures</i>	<u>13,116,186</u>	<u>13,116,186</u>	<u>13,637,510</u>	<u>(521,324)</u>
<i>Excess of Revenues (Under) Expenditures</i>	185,142	185,142	(336,182)	(521,324)
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Fixed Assets	429	429	429	0
Refund of Prior Year Expenditures	68,607	68,607	68,607	0
Advances Out	0	0	(133)	(133)
<i>Total Other Financing Sources (Uses)</i>	<u>69,036</u>	<u>69,036</u>	<u>68,903</u>	<u>(133)</u>
<i>Excess of Revenues and Other Financing Sources (Under) (Under) Expenditures and Other Financing Uses</i>	254,178	254,178	(267,279)	(521,457)
<i>Fund Balance at Beginning of Year</i>	(249,959)	(249,959)	(249,959)	0
<i>Prior Year Encumbrances Appropriated</i>	400,287	400,287	400,287	0
<i>Fund Balance at End of Year</i>	<u>404,506</u>	<u>404,506</u>	<u>(116,951)</u>	<u>(521,457)</u>

See accompanying notes to the basic financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets*

*Fiduciary Fund*

*June 30, 2005*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,345</u>
<b><u>Liabilities:</u></b>	
Undistributed Monies	<u>\$20,345</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, 2005*

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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 90 non-certificated employees, 121 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,808 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 two 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 18 and 19 to the basic financial statements.

## **CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **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.

#### **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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. 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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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.

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 accounts 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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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. 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.

**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 6). 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, 2005, but which were levied to finance fiscal year 2006 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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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.

**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 2005 amounted to \$14,353, which includes \$5,229 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, 2005.

**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, 2005, 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, 2005, 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, 2005, the District reported no restricted assets.



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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.

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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

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.

**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, claims and judgments, 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 only to the extent that they are due for payment in the current year. 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.

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**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes.

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

**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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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 2005, 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.

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 2005.

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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The following funds had deficit fund balances/retained earnings as of June 30, 2005:

	<u>Deficit Fund Balance/ Retained Earnings</u>
General Fund	\$1,610,410
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	6,089
Children's Trust	535
Title VI-B	96,949
Title VI	8
Drug Free School Grant	333
Title VI-R	61

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.

**Compliance**

Contrary to Ohio Revised Code Section 5705.10, the District's General Fund had a negative balance during the year, which means money from another fund was used to cover the expenses of the General Fund.

**NOTE 4 - 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:

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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>	
Budget Basis	(\$267,279)
<i>Adjustments:</i>	
Revenue Accruals	670,754
Expenditure Accruals	(211,135)
Encumbrances	490,310
Other Sources (Uses)	54,546
GAAP Basis	<u><u>\$737,196</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

**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 in amounts equal to at least 105% of the carrying value of the deposits. 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, 2005, the carrying amount of all the District deposits was \$606,171. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2005, \$538,245 of the District's bank balance of \$638,245 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance. The \$538,245 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.

**Investments:** As of June 30, 2005, the District had no investments.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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

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, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

Accrued property taxes receivable represents the June 2005 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2005. 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, 2005 was \$250,835 and is recognized as revenue. Of this total amount, \$235,030 was available to the General Fund and \$15,805 was available to the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$140,003,860	82.99%	\$142,492,060	83.40%
Public Utility Personal	24,905,080	14.76%	24,911,640	14.58%
Tangible Personal Property	3,797,480	2.25%	3,456,280	2.02%
Total Assessed Value	<u>\$168,706,420</u>	<u>100.00%</u>	<u>\$170,859,980</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.29		\$46.29	

**NOTE 7 - 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, 2004, 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. Income tax revenue is credited to the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2005 consisted of property taxes, income taxes, intergovernmental and interfund. All receivables are considered collectible in full due.



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 8 - RECEIVABLES** - (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
<i>Nonmajor Special Revenue Funds:</i>	
Food Service Subsidies	\$15,233
Summer Intervention Grant	709
Pre-School Handicap Grant	750
Total Nonmajor Special Revenue Funds	16,692
Total Intergovernmental Receivable	\$16,692

**NOTE 9 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2005 was as follows:

Asset Category	Balance at July 1, 2004	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2005
<i>Nondepreciable Capital Assets:</i>				
Land	\$325,000	\$0	\$0	\$325,000
<i>Depreciable Capital Assets:</i>				
Land Improvements	188,759	28,000	0	216,759
Buildings and Improvements	6,291,973	7,750	0	6,299,723
Furniture, Fixtures and Equipment	2,540,385	49,721	0	2,590,106
Vehicles	1,070,284	0	0	1,070,284
Total Depreciable Capital Assets	10,091,401	85,471	0	10,176,872
Total Capital Assets	10,416,401	85,471	0	10,501,872
<i>Accumulated Depreciation:</i>				
Land Improvements	(17,230)	(8,313)	0	(25,543)
Buildings and Improvements	(4,461,451)	(118,359)	0	(4,579,810)
Furniture, Fixtures and Equipment	(2,092,934)	(146,876)	0	(2,239,810)
Vehicles	(771,533)	(46,676)	0	(818,209)
Total Accumulated Depreciation	(7,343,148)	(320,224)	0	(7,663,372)
Total Net Capital Assets	\$3,073,253	(\$234,753)	\$0	\$2,838,500

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**NOTE 9 - CAPITAL ASSETS** - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$199,498
Special	4,010
Vocational	1,750
<i>Support Services:</i>	
Pupils	3,840
Instructional Staff	6,194
Administration	5,440
Fiscal	226
Operation and Maintenance of Plant	46,180
Pupil Transportation	41,103
Operation of Non-Instructional Services	3,020
Extracurricular Activities	8,963
	<hr/>
Total Depreciation Expense	<u><u>\$320,224</u></u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 10 - 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 2005, the District contracted with commercial carriers for property, fleet, professional and general liability insurance. Coverages provided are as follows:

Building/Contents and Boiler/Machinery	\$31,398,993
Building/Contents - replacement cost (90% co-insurance)	
Boiler/Machinery (\$2,500 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 2005, the District participated in the EPC Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). 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 \$70 for family and \$28 per month 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, 2005*

**NOTE 10 - RISK MANAGEMENT** - (Continued)

The claims liability of \$0 reported at June 30, 2005 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2004	\$13,284	\$1,065	\$14,349	\$0
2005	0	0	0	0

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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 calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent was the portion used to fund pension obligations. 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$204,238, \$217,915, and \$189,189, respectively; 46.18 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$109,911 representing the unpaid contribution for fiscal year 2005, is recorded as a liability in the financial statements.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

**State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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 contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$876,280, \$933,159, and \$962,007, respectively; 82.40 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$154,238 representing the unpaid contribution for fiscal year 2005, is recorded as a liability in the financial statements.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, no members of the Board of Education have elected Social Security.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$67,406 during fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005 were \$178,221,113 and the target level was \$367.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. The number of participants currently receiving health care benefits is approximately 58,123. For the District, the amount to fund health care benefits, including the surcharge, equaled \$140,384 during the 2005 fiscal year.

**NOTE 13 - 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.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 13 - EMPLOYEE BENEFITS** - (Continued)

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 222 days for aides and all other classified employees and 222 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 55.5 days for all employees.

**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 \$1,000 for family and \$545 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 14 - TAX ANTICIPATION NOTE OBLIGATIONS**

The changes in the District's tax anticipation note obligations during fiscal year 2005 were as follows:

	Issue Date	Interest Rate	Amount Outstanding at June 30, 2004	Additions	Deductions	Amount Outstanding at June 30, 2005
Tax Anticipation Note	2003	2.38%	\$750,000	\$0	\$151,000	\$599,000

The District issued a \$750,000 Tax Anticipation Note, dated July 1, 2003, that will mature on December 1, 2007. The proceeds of this note are to be used to support operations until income tax revenues begin being received. This note will be repaid from the General Fund using the income tax revenues.

Annual requirements to retire the tax anticipation notes outstanding at June 30, 2005, are as follows:

	Fiscal Year Ending June 30,	
	2006	\$206,936
	2007	207,235
	2008	206,428
Total Debt Payment		620,599
Less: Amount Representing Interest		21,599
Total Principal		<u>\$599,000</u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 15 - LONG-TERM LIABILITIES**

The changes in the District's long-term liabilities during fiscal year 2005 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at June 30, 2004	Additions	Deductions	Principal Outstanding at June 30, 2005	Amount Due In One Year
<i><u>Governmental Activities:</u></i>							
Energy Conservation Loan	1989	0.00%	\$13,889	\$0	\$5,556	\$8,333	\$5,556
School Energy Conservation Improvement Installment Payment Note	1998	4.90%	638,968	0	58,187	580,781	61,038
Total General Obligation Debt			652,857	0	63,743	589,114	66,594
Compensated Absences Payable			1,027,626	274,680	547,586	754,720	28,716
Capital Lease Payable			373,372	123,020	69,905	426,487	105,713
Total Governmental Activities Long-Term Obligations			<u>\$2,053,855</u>	<u>\$397,700</u>	<u>\$681,234</u>	<u>\$1,770,321</u>	<u>\$201,023</u>

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

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

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

The District's overall legal debt margin was \$14,787,617 with an unvoted debt margin of \$170,760 at June 30, 2005.



**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**NOTE 15 - LONG-TERM LIABILITIES** - (Continued)

The annual requirements to retire the energy conservation loan and note, and tax anticipation note outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation Loan</u>	<u>Energy Conservation Note</u>	<u>Total</u>
2006	\$5,555	\$89,497	\$95,052
2007	2,778	89,497	92,275
2008	0	89,497	89,497
2009	0	89,497	89,497
2010	0	89,497	89,497
2011-2013	0	268,489	268,489
Total Debt Payments	8,333	715,974	724,307
Less: Amount Representing Interest	0	135,193	135,193
Total Principal	<u>\$8,333</u>	<u>\$580,781</u>	<u>\$589,114</u>

**NOTE 16 - CAPITAL LEASE - LESSEE DISCLOSURE**

During fiscal year 2005, the District entered into two new capital leases. The District entered into a computer lease-purchase with Kansas State Bank of Manhattan on April 4, 2005 for \$33,824. The lease is for 48 months with a monthly payment of \$820.12 and an interest rate of 7.99%. The District entered into an educational equipment lease with MuniNet Financial Services for computer lab equipment dated June 20, 2005 for \$89,195.92. The lease is for 36 months with payments of \$2,847.79. Per the lease payment is to be made to Kansas State Bank per the lease "Acknowledgment of and Consent to Assignment". The lease is being paid from the general fund. The first payment is due at closing and this did not occur until FY06. The approximate delivery date of the equipment was "Middle of August, 2005". The Treasurer signed a Certificate of acceptance on August 9, 2005. The interest rate is 6.32%.

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

This agreement is recorded as a long-term liability. A capital asset in the amount of \$447,592 has been capitalized by the District. Principal payments of \$69,905 were made during fiscal year 2005. The principal amount owed on the lease at year end is \$426,487.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 16 - CAPITAL LEASE - LESSEE DISCLOSURE** - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005:

Fiscal Year Ending June 30,	Capital Lease Payments
2006	\$127,890
2007	127,890
2008	127,891
2009	91,439
Total Future Minimum Lease Payments	475,110
Less: Amount Representing Interest	(48,623)
Present Value of Future Minimum Lease Payments	<u>\$426,487</u>

**NOTE 17 - INTERFUND ACTIVITY**

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$5,161	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Public School Support	440	0
District Managed Activities	0	4,296
Children's Trust	0	535
Pre-School Handicap Grant	0	750
Miscellaneous Federal Grants	0	20
Total Nonmajor Special Revenue Funds	440	5,601
Total	<u>\$5,601</u>	<u>\$5,601</u>

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 18 - STATUTORY SET-ASIDES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Previously, the District was also required to set aside money for budget stabilization. Senate Bill 345 eliminated the Budget Stabilization Reserve except for amounts related to unspent Bureau of Worker’s Compensation refunds. The Bill requires the Board of Education to designate its intended use of the Reserve.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Current Year Set-Aside Requirement	\$249,092	\$249,092
Prior Year Balance Carried Forward	(210,324)	0
Current Year Offsets	0	(330,378)
Qualifying Disbursements	(220,201)	(233,996)
Totals	<u>(\$181,433)</u>	<u>(\$315,282)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$181,433)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>

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

**NOTE 19 - 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 2005, the District paid \$18,085 to SWOCA. Financial information can be obtained by contacting SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio, 45011-2241.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS** - (Continued)

**Miami Valley Career Technology Center**

The Miami Valley Career Technology Center, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the participating school districts' elected board, which possess its own budgeting and taxing authority. Accordingly, the Miami Valley Career Technology Center is not part of the District and its operations are not included as part of the reporting entity. During fiscal year 2005, 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.

**Southwestern Ohio Educational Purchasing Council**

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the District paid \$1,012 in membership fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

**NOTE 20 - 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 21 - CONTINGENCIES**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**CARLISLE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 22 - SIGNIFICANT COMMITMENT**

The District has significant commitments of \$279,939 owed to the Warren Education Service Center as of April 5, 2006. This amount is not included in the accompanying financial statements as the invoices are all dated after the balance sheet date.

**NOTE 23 - RESTATEMENT OF FUND BALANCE AT BEGINNING OF YEAR**

On March 21, 2005 the Board of Education passed a resolution to reclassify \$200,000 that was previously advanced from the General Fund to the Self-Insurance Fund as a permanent transfer. The Self-Insurance Fund did not have any activity during 2005 and the District is no longer using this Fund. This reclassification restated the July 1, 2004 beginning balance from (\$2,147,606) to (\$2,347,606) in the General Fund.

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**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550		\$33,311		\$33,311
National School Breakfast Program	05-PU-04/05	10.553	\$5,783		\$5,783	
National School Lunch Program	LLP4-04/05	10.555	114,070		114,070	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>119,853</u>	<u>33,311</u>	<u>119,853</u>	<u>33,311</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-05	84.027	311,153		311,153	
Special Education - Preschool Grant	PG-S1-05 PG-S1-03/04	84.173	2,154		588 943	
			<u>2,154</u>		<u>1,531</u>	
Total Special Education Cluster			<u>313,307</u>		<u>312,684</u>	
Title I, Part A, CSEA	C1-S1-03 C1-S1-04 C1-S1-05	84.010			667 1,856 176,401	
			<u>176,628</u>		<u>176,401</u>	
			176,628		178,924	
Drug Free Schools Grant	DR-S1-03 DR-S1-04 DR-S1-05	84.186			114 3,829 7,354	
Total Drug Free Schools Grant			<u>7,472</u>		<u>11,297</u>	
Innovative Education Program Strategies	C2-S1-05	84.298	7,155		7,155	
Technology Literacy Challenge Fund Grant	TJ-S1-03 TJ-S1-04 TJ-S1-05	84.318			305 100 3,825	
Total Technology Literacy Challenge Fund Grant			<u>4,676</u>		<u>4,230</u>	
Advanced Placement Program	AV-S1-05	84.330	400		400	
Improving Teacher Quality State Grant (Title II)	TR-S1-05	84.367	77,733		77,733	
Total Department of Education			<u>587,371</u>		<u>592,423</u>	
<b>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)</b>						
<i>Passed Through Department of Public Safety</i>						
Public Assistance Grant Program	3198-EM-165U9	97.036	1,300	0	1,300	0
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$708,524</u></u>	<u><u>\$33,311</u></u>	<u><u>\$713,576</u></u>	<u><u>\$33,311</u></u>

*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 JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





## **Auditor of State Betty Montgomery**

### **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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 30, 2006. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated May 30, 2006, we reported a matter involving internal control over financial reporting which we did not deem a reportable condition.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated May 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

May 30, 2006



## Auditor of State Betty Montgomery

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

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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, Carlisle Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

May 30, 2006

**CARLISLE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.10**, provides, in part, that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The District's General Fund had a negative fund balance of (\$137,662) for the month ended December 31, 2004.

We recommend the District monitor the General Fund cash flow and the related fund balance to avoid reducing the General Fund balance below zero. The District should consider timing payments from the General Fund to correspond with cash inflows. The District should also consider requesting tax advances from the county auditor if the funds are available for advance.

**FINDING NUMBER 2005-001  
(Continued)**

**Officials' Response**

The December negative balance was a result of poor cash flow during that period. We had three pay periods in that month that contributed to the negative balance. Tax bills do not go out until January which puts a tremendous strain on our cash flow each December. We generally try and receive any monies available as an advance but it usually is not a significant amount. I will continue to request advances as well as monitor other payments and look to push as many as possible to subsequent months.

**FINDING NUMBER 2005-002**

**Reportable Condition**

The Ohio Administrative Code requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Our review of the District's disbursements revealed:

- Pre-numbered checks were sometimes used out of sequence;
- Of 66 payments tested, 6 (9%) were hand-typed checks. Our review of the District's "gap detection report" revealed an additional 40 hand-typed checks. Hand-typed checks are not computer generated and are not automatically posted by the SWOCA/USAS computerized accounting system. Certain hand-typed checks were not entered by the district into the computerized accounting system until the monthly reconciliation process uncovered the omissions. The majority of these hand-typed checks were from student activities and the principal's funds.

To enhance internal controls and accountability over the disbursement process, improve the accounting system and record keeping process easier and to reduce the possibility of the misappropriation of District funds, we recommended that:

- Pre-numbered checks should never be used out of sequence;
- The use of hand-typed checks be prohibited.

**Officials' Response**

While hand-typed checks continue to be a problem, we have taken steps to significantly decrease the number of occurrences. The majority of these types of expenditures relate to student activities and are generally the result of teachers waiting until the last minute to request payment (e.g. field trip). We do have a policy in place that requires my approval prior to issuing a hand-typed check which reduces the amount of risk associated with this type of payment. I will continue to try and educate our staff regarding the procedures for disbursements as well as monitor all disbursements to try and avoid hand-typed checks.

**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, 2005**

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>
2004-001	Ohio Rev. Code, Section 5705.41(B), expenditures and outstanding encumbrances exceeding appropriations.	No	Partially corrected; reissued in the management letter
2004-002	Reportable condition for checks being used out of sequence and 25% of disbursements were hand typed checks.	No	Partially corrected; reissued as finding 2005-002







**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CARLISLE LOCAL SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 15, 2006**