



Dave Yost • Auditor of State

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 5 |
| Statement of Net Position | 15 |
| Statement of Activities..... | 16 |
| Balance Sheet – Governmental Funds | 17 |
| Reconciliation of Total Governmental Fund Balances to Net Position Of Governmental Activities..... | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds..... | 19 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund | 21 |
| Statement of Fiduciary Net Position – Fiduciary Funds..... | 22 |
| Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund | 23 |
| Notes to the Basic Financial Statements | 25 |
| Federal Awards Receipts and Expenditures Schedule..... | 57 |
| Notes to the Federal Awards Receipts and Expenditures Schedule | 58 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 59 |
| Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 61 |
| Schedule of Findings..... | 65 |
| Corrective Action Plan..... | 69 |
| Independent Accountants' Report on Applying Agreed-Upon Procedures..... | 71 |

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

North Fork Local School District
Licking County
312 Maple Avenue
Utica, Ohio 43080

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

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**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The management's discussion and analysis of the North Fork Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities increased \$678,460 which represents a 2.65% increase from 2012, as restated in Note 3.A.
- General revenues accounted for \$15,382,364 in revenue or 81.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,607,071 or 19.00% of total revenues of \$18,989,435.
- The District had \$18,310,975 in expenses related to governmental activities; only \$3,607,071 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,382,364 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$16,441,076 in revenues and other financing sources and \$15,215,164 in expenditures and other financing uses. During fiscal 2013, the general fund's fund balance increased \$1,225,912 from \$81,739 to a balance of \$1,307,651.
- The bond retirement fund had revenues of \$854,609 and expenditures of \$815,662. The bond retirement fund's fund balance increased \$38,947 from \$382,821 to \$421,768.
- The classroom facilities fund had revenues of \$250 and expenditures of \$23,408 during fiscal year 2013. The classroom facilities fund's fund balance decreased \$23,158 from \$1,562,310 to \$1,539,152.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position 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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. 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 major governmental funds are the general fund, bond retirement fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

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. These notes to the basic financial statements can be found on pages 25-56 of this report.

The District as a Whole

Certain asset, deferred outflow, liability, deferred inflow, and net position classifications have been restated by the District for fiscal year 2012 to conform to fiscal year 2013 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

| | Net Position | |
|----------------------------------|------------------------------------|--|
| | Governmental Activities 2013 | (Restated) Governmental Activities 2012 |
| <u>Assets</u> | | |
| Current and other assets | \$ 10,534,861 | \$ 9,621,785 |
| Capital assets, net | <u>32,108,122</u> | <u>33,057,108</u> |
| Total assets | <u>42,642,983</u> | <u>42,678,893</u> |
| <u>Deferred outflows</u> | <u>355,581</u> | <u>384,218</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 1,861,391 | 1,791,747 |
| Long-term liabilities | <u>10,514,399</u> | <u>10,960,537</u> |
| Total liabilities | <u>12,375,790</u> | <u>12,752,284</u> |
| <u>Deferred inflows</u> | <u>4,381,647</u> | <u>4,748,160</u> |
| <u>Net position</u> | | |
| Net investment in capital assets | 23,432,033 | 23,923,474 |
| Restricted | 2,260,879 | 2,414,258 |
| Unrestricted (deficit) | <u>548,215</u> | <u>(775,065)</u> |
| Total net position | <u>\$ 26,241,127</u> | <u>\$ 25,562,667</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$26,241,127. At fiscal year-end, restricted net position was \$2,260,879.

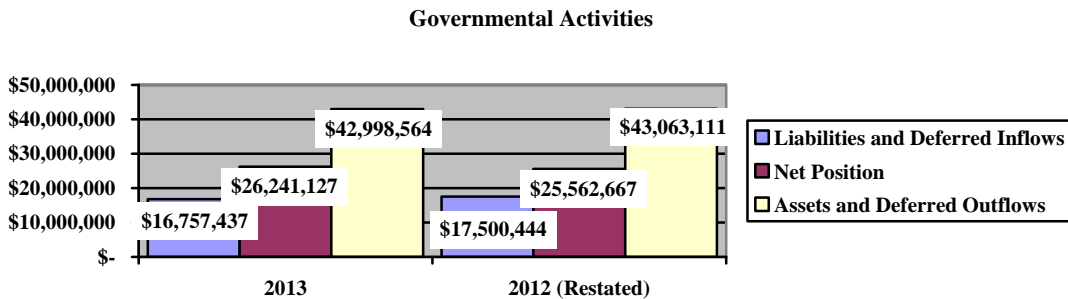
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

At year-end, capital assets represented 75.30% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2013, was \$23,432,033. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,260,879, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$548,215.

The table below illustrates the District's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2013 and June 30, 2012.



The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below shows the changes in net position for governmental activities for fiscal years 2013 and 2012.

| | Change in Net Position | |
|------------------------------------|-------------------------------|----------------------------|
| | Governmental | (Restated) Governmental |
| | Activities | Activities |
| | <u>2013</u> | <u>2012</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,334,708 | \$ 1,185,932 |
| Operating grants and contributions | 2,272,363 | 2,082,185 |
| General revenues: | | |
| Property taxes | 5,393,804 | 4,885,944 |
| School district income taxes | 1,944,326 | 2,002,124 |
| Grants and entitlements | 7,860,513 | 7,993,112 |
| Investment earnings | 12,949 | 20,244 |
| Other | <u>170,772</u> | <u>204,649</u> |
| Total revenues | <u>\$ 18,989,435</u> | <u>\$ 18,374,190</u> |

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | Change in Net Position | |
|--|-------------------------------|-----------------------------|
| | Governmental | (Restated) Governmental |
| | Activities | Activities |
| | 2013 | 2012 |
| | <u> </u> | <u> </u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 6,454,617 | \$ 6,134,194 |
| Special | 2,865,304 | 2,747,635 |
| Vocational | 172,067 | 225,793 |
| Other | 245,458 | 273,995 |
| Support services: | | |
| Pupil | 1,670,632 | 1,635,387 |
| Instructional staff | 108,774 | 78,782 |
| Board of education | 33,828 | 27,349 |
| Administration | 1,186,083 | 1,124,687 |
| Fiscal | 519,995 | 483,683 |
| Operations and maintenance | 1,541,882 | 1,465,995 |
| Pupil transportation | 1,377,110 | 1,360,588 |
| Central | 121,547 | 514,104 |
| Operation of non-instructional services: | | |
| Food service operations | 806,689 | 599,822 |
| Extracurricular activities | 754,565 | 706,151 |
| Interest and fiscal charges | <u>452,424</u> | <u>463,846</u> |
| Total expenses | <u>18,310,975</u> | <u>17,842,011</u> |
| Change in net position | 678,460 | 532,179 |
| Net position at beginning of year (restated) | <u>25,562,667</u> | <u>25,030,488</u> |
| Net position at end of year | <u>\$ 26,241,127</u> | <u>\$ 25,562,667</u> |

Governmental Activities

Net position of the District's governmental activities increased \$678,460. Total governmental expenses of \$18,310,975 were offset by program revenues of \$3,607,071 and general revenues of \$15,382,364. Program revenues supported 19.70% of the total governmental expenses.

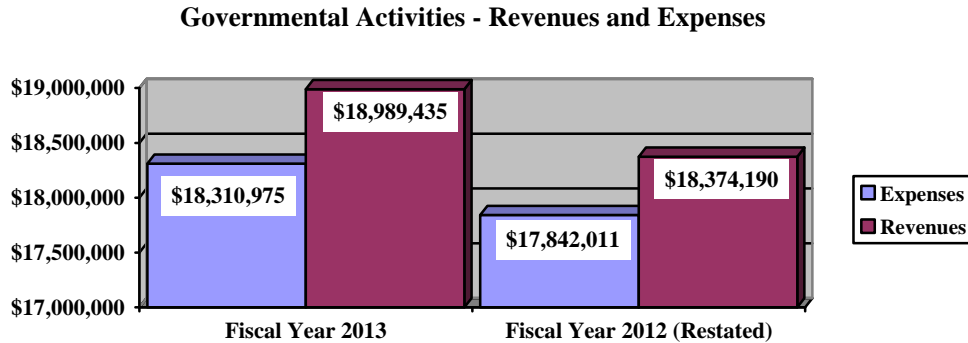
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 80.04% of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$9,737,446 or 53.18% of total governmental expenses for fiscal year 2013.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

| | Total Cost of Services 2013 | Net Cost of Services 2013 | (Restated) Total Cost of Services 2012 | (Restated) Net Cost of Services 2012 |
|--|-----------------------------------|---------------------------------|---|---|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 6,454,617 | \$ 5,534,819 | \$ 6,134,194 | \$ 5,338,323 |
| Special | 2,865,304 | 1,433,273 | 2,747,635 | 1,303,886 |
| Vocational | 172,067 | 137,324 | 225,793 | 194,793 |
| Other | 245,458 | 238,258 | 273,995 | 271,162 |
| Support services: | | | | |
| Pupil | 1,670,632 | 1,633,500 | 1,635,387 | 1,609,291 |
| Instructional staff | 108,774 | 108,569 | 78,782 | 78,782 |
| Board of education | 33,828 | 33,758 | 27,349 | 27,349 |
| Administration | 1,186,083 | 1,186,083 | 1,124,687 | 1,124,687 |
| Fiscal | 519,995 | 519,995 | 483,683 | 483,683 |
| Operations and maintenance | 1,541,882 | 1,521,778 | 1,465,995 | 1,449,955 |
| Pupil transportation | 1,377,110 | 1,313,960 | 1,360,588 | 1,251,573 |
| Central | 121,547 | 121,547 | 514,104 | 493,784 |
| Operation of non-instructional services: | | | | |
| Food service operations | 806,689 | 166,726 | 599,822 | 173,467 |
| Extracurricular activities | 754,565 | 301,890 | 706,151 | 309,313 |
| Interest and fiscal charges | 452,424 | 452,424 | 463,846 | 463,846 |
| Total expenses | <u>\$ 18,310,975</u> | <u>\$ 14,703,904</u> | <u>\$ 17,842,011</u> | <u>\$ 14,573,894</u> |

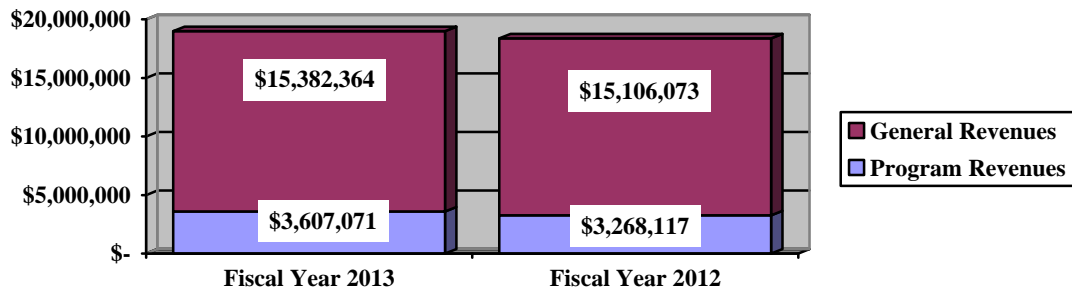
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 75.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.30%. The District's taxpayers, and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$3,689,903, which is more than last year's balance of \$2,264,558. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

| | Fund Balance <u>June 30, 2013</u> | Fund Balance <u>June 30, 2012</u> | Increase (Decrease) |
|----------------------|--------------------------------------|--------------------------------------|------------------------|
| General | \$ 1,307,651 | \$ 81,739 | \$ 1,225,912 |
| Bond retirement | 421,768 | 382,821 | 38,947 |
| Classroom facilities | 1,539,152 | 1,562,310 | (23,158) |
| Other governmental | <u>415,332</u> | <u>237,688</u> | <u>177,644</u> |
| Total | <u>\$ 3,683,903</u> | <u>\$ 2,264,558</u> | <u>\$ 1,419,345</u> |

General Fund

The District's general fund balance increased \$1,225,912. The increase in fund balance can be primarily attributed to increasing revenues outpacing increasing expenditures, particularly an increase in taxes. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | <u>2013</u> <u>Amount</u> | <u>2012</u> <u>Amount</u> | <u>Change</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|-------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 4,448,907 | \$ 4,038,354 | \$ 410,553 | 10.17 % |
| Income taxes | 1,941,106 | 1,869,163 | 71,943 | 3.85 % |
| Tuition | 724,913 | 693,383 | 31,530 | 4.55 % |
| Earnings on investments | 12,527 | 23,220 | (10,693) | (46.05) % |
| Intergovernmental | 8,613,963 | 8,782,532 | (168,569) | (1.92) % |
| Other revenues | <u>410,794</u> | <u>370,401</u> | <u>40,393</u> | 10.91 % |
| Total | <u>\$ 16,152,210</u> | <u>\$ 15,777,053</u> | <u>\$ 375,157</u> | 2.38 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 8,206,085 | \$ 8,079,178 | \$ 126,907 | 1.57 % |
| Support services | 6,166,266 | 6,444,884 | (278,618) | (4.32) % |
| Extracurricular activities | 301,195 | 321,007 | (19,812) | (6.17) % |
| Capital outlay | 288,820 | - | 288,820 | 100.00 % |
| Facilities acquisition and construction | 1,295 | - | 1,295 | 100.00 % |
| Debt service | <u>143,470</u> | <u>69,120</u> | <u>74,350</u> | 107.57 % |
| Total | <u>\$ 15,107,131</u> | <u>\$ 14,914,189</u> | <u>\$ 192,942</u> | 1.29 % |

The increase in property taxes is primarily due to variances in the amount of tax advance that was available to the District from the County Auditors at the end of fiscal years 2013 and 2012. The amount of tax advances available from the County Auditors can vary depending upon when tax bills are mailed. The decrease in earnings on investments can be attributed to less investments maturing in the available period. Other revenues increased primarily due to increases in extracurricular revenue. All other revenues remained comparable to the prior fiscal year on a percentage basis. Debt service and capital outlay expenditures increased due to a new capital lease during fiscal year 2013. All other expenditures remained comparable to the prior fiscal year on a percentage basis.

Bond Retirement Fund

The bond retirement fund had revenues of \$854,609 and expenditures of \$815,662. The bond retirement fund's fund balance increased \$38,947 from \$382,821 to \$421,768.

Classroom Facilities Fund

The classroom facilities fund had revenues of \$250 and expenditures of \$23,408 during fiscal year 2013. The classroom facilities fund's fund balance decreased \$23,158 from \$1,562,310 to \$1,539,152.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$16,188,007, which was \$84,057 less than the original budgeted revenues and other financing sources of \$16,272,064. Actual revenues and other financing sources for fiscal year 2013 was \$15,989,779, which was less than final budgeted revenues by \$198,228.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,188,596 were increased to \$16,198,995 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$15,209,752, which was \$989,243 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$32,108,122, net of depreciation, invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2013 balances compared to June 30, 2012:

| | Capital Assets at June 30 | |
|---------------------------|----------------------------------|-----------------------------|
| | (Net of Depreciation) | |
| | <u>Governmental Activities</u> | |
| | <u>2013</u> | <u>2012</u> |
| Land | \$ 351,574 | \$ 351,574 |
| Land improvements | 179,149 | 210,748 |
| Building and improvements | 30,490,318 | 31,206,633 |
| Furniture and equipment | 656,726 | 768,334 |
| Vehicles | <u>430,355</u> | <u>519,819</u> |
| Total | <u>\$ 32,108,122</u> | <u>\$ 33,057,108</u> |

The overall decrease in capital assets of \$948,986 is primarily due to depreciation expense of \$970,962 being more than capital outlays of \$21,976 in 2013.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2013, the District had \$9,046,494 in general obligation bonds and capital lease obligations outstanding. Of this total, \$570,268 is due within one year and \$8,476,226 is due in greater than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

| | Governmental | Governmental |
|---------------------------|----------------------------|----------------------------|
| | Activities | Activities |
| | <u>2013</u> | <u>2012</u> |
| General obligation bonds | \$ 8,831,658 | \$ 9,240,840 |
| Capital lease obligations | <u>214,836</u> | <u>-</u> |
| Total | <u>\$ 9,046,494</u> | <u>\$ 9,240,840</u> |

At June 30, 2013, the District's overall legal debt margin was \$12,320,581 with an unvoted debt margin of \$227,431.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Current Financial Related Activities

The District relies heavily upon the State Foundation Program and property taxes for its operating funds. It is expected that state funding for the District will remain at fiscal year 2013 levels into the foreseeable future. This will cause increased pressure on local sources of revenue and will likely result in having to pass additional local taxes in order to avoid having to make significant operational cuts over the next two or three years.

Since, it is not expected that there will be any significant increases in revenue; it will necessitate a thorough review of the District's overall program. The major program concerns at the present time are the escalating costs of special education; the potential costs of state and federally mandated educational programs; and the ability to maintain current programs at a level that will ensure the District's ability to meet state minimum standards. In March of 2010 the District was placed in fiscal caution status by the Ohio Department of Education. The District submitted and had approved a recovery plan for fiscal year 2013.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tonya Mickley, Treasurer, North Fork Local School District, 312 Maple Avenue, Utica, Ohio 43080-0497.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 4,200,027 |
| Receivables: | |
| Property taxes | 5,283,964 |
| Income taxes | 763,096 |
| Accounts | 10,624 |
| Accrued interest | 6,760 |
| Intergovernmental | 268,153 |
| Materials and supplies inventory | 1,643 |
| Loans receivable | 594 |
| Capital assets: | |
| Land | 351,574 |
| Depreciable capital assets, net | 31,756,548 |
| Capital assets, net | 32,108,122 |
| Total assets | 42,642,983 |
| Deferred outflows of resources: | |
| Unamortized deferred charges on debt refunding | 355,581 |
| Total deferred outflows of resources | 355,581 |
| Liabilities: | |
| Accounts payable | 78,656 |
| Accrued wages and benefits payable | 1,283,372 |
| Pension obligation payable | 314,973 |
| Intergovernmental payable | 153,824 |
| Accrued interest payable | 30,566 |
| Long-term liabilities: | |
| Due within one year | 802,358 |
| Due in more than one year | 9,712,041 |
| Total liabilities | 12,375,790 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year | 4,381,647 |
| Total deferred inflows of resources | 4,381,647 |
| Net position: | |
| Net investment in capital assets | 23,432,033 |
| Restricted for: | |
| Capital projects | 1,656,815 |
| Classroom facilities maintenance | 347,229 |
| Debt service | 169,895 |
| Locally funded programs | 4,603 |
| State funded programs | 677 |
| Federally funded programs | 12 |
| Student activities | 52,453 |
| Other purposes | 29,195 |
| Unrestricted | 548,215 |
| Total net position | \$ 26,241,127 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|--|----------------------|-----------------------------------|---------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 6,454,617 | \$ 792,803 | \$ 126,995 | \$ (5,534,819) |
| Special | 2,865,304 | 13,018 | 1,419,013 | (1,433,273) |
| Vocational | 172,067 | - | 34,743 | (137,324) |
| Other | 245,458 | - | 7,200 | (238,258) |
| Support services: | | | | |
| Pupil | 1,670,632 | - | 37,132 | (1,633,500) |
| Instructional staff | 108,774 | - | 205 | (108,569) |
| Board of education | 33,828 | - | 70 | (33,758) |
| Administration | 1,186,083 | - | - | (1,186,083) |
| Fiscal | 519,995 | - | - | (519,995) |
| Operations and maintenance | 1,541,882 | 20,104 | - | (1,521,778) |
| Pupil transportation | 1,377,110 | - | 63,150 | (1,313,960) |
| Central | 121,547 | - | - | (121,547) |
| Operation of non-instructional services: | | | | |
| Food service operations | 806,689 | 192,378 | 447,585 | (166,726) |
| Extracurricular activities | 754,565 | 316,405 | 136,270 | (301,890) |
| Interest and fiscal charges | 452,424 | - | - | (452,424) |
| Total governmental activities | <u>\$ 18,310,975</u> | <u>\$ 1,334,708</u> | <u>\$ 2,272,363</u> | <u>(14,703,904)</u> |

General revenues:

| | |
|---|----------------------|
| Property taxes levied for: | |
| General purposes | 4,454,242 |
| Debt service | 748,180 |
| Capital outlay | 100,810 |
| Special revenue | 90,572 |
| School district income taxes | 1,944,326 |
| Grants and entitlements not restricted | |
| to specific programs | 7,860,513 |
| Investment earnings | 12,949 |
| Miscellaneous | 170,772 |
| Total general revenues | <u>15,382,364</u> |
| Change in net position | 678,460 |
| Net position at beginning of year (restated) . | <u>25,562,667</u> |
| Net position at end of year | <u>\$ 26,241,127</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

| | <u>General</u> | <u>Bond Retirement</u> | <u>Classroom Facilities</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|---------------------------------|--|---|
| Assets: | | | | | |
| Equity in pooled cash and investments | \$ 1,760,962 | \$ 333,850 | \$ 1,555,211 | \$ 522,246 | \$ 4,172,269 |
| Receivables: | | | | | |
| Property taxes | 4,340,141 | 751,139 | - | 192,684 | 5,283,964 |
| Income taxes | 763,096 | - | - | - | 763,096 |
| Accounts | 10,624 | - | - | - | 10,624 |
| Accrued interest | 6,760 | - | - | - | 6,760 |
| Interfund loans | 13,454 | - | - | - | 13,454 |
| Intergovernmental | 171,883 | - | - | 96,270 | 268,153 |
| Materials and supplies inventory | - | - | - | 1,643 | 1,643 |
| Loans receivable | 594 | - | - | - | 594 |
| Restricted assets: | | | | | |
| Equity in pooled cash and cash equivalents | 27,758 | - | - | - | 27,758 |
| Total assets | \$ 7,095,272 | \$ 1,084,989 | \$ 1,555,211 | \$ 812,843 | \$ 10,548,315 |
| Liabilities: | | | | | |
| Accounts payable | \$ 47,320 | \$ - | \$ 16,059 | \$ 15,277 | \$ 78,656 |
| Accrued wages and benefits payable | 1,140,345 | - | - | 143,027 | 1,283,372 |
| Compensated absences payable | 116,888 | - | - | - | 116,888 |
| Interfund loans payable | - | - | - | 13,454 | 13,454 |
| Intergovernmental payable | 144,880 | - | - | 8,944 | 153,824 |
| Pension obligation payable | 268,295 | - | - | 46,678 | 314,973 |
| Total liabilities | \$ 1,717,728 | \$ - | \$ 16,059 | \$ 227,380 | \$ 1,961,167 |
| Deferred inflows of resources: | | | | | |
| Property taxes levied for the next fiscal year | 3,598,996 | 622,870 | - | 159,781 | 4,381,647 |
| Delinquent property tax revenue not available | 233,150 | 40,351 | - | 10,350 | 283,851 |
| Accrued interest not available | 1,206 | - | - | - | 1,206 |
| Income tax revenue not available | 136,181 | - | - | - | 136,181 |
| Intergovernmental revenue not available | 100,360 | - | - | - | 100,360 |
| Total deferred inflows of resources | \$ 4,069,893 | \$ 663,221 | \$ - | \$ 170,131 | \$ 4,903,245 |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Materials and supplies inventory | - | - | - | 1,643 | 1,643 |
| Restricted: | | | | | |
| Debt service | - | 421,768 | - | - | 421,768 |
| Capital improvements | - | - | 1,539,152 | 111,885 | 1,651,037 |
| Classroom facilities maintenance | - | - | - | 342,657 | 342,657 |
| Other purposes | - | - | - | 6,729 | 6,729 |
| Extracurricular | - | - | - | 52,453 | 52,453 |
| School bus purchases | 27,758 | - | - | - | 27,758 |
| Committed: | | | | | |
| Underground storage tanks | 11,000 | - | - | - | 11,000 |
| Assigned: | | | | | |
| Student and staff support | 61,895 | - | - | - | 61,895 |
| Other purposes | 5,000 | - | - | - | 5,000 |
| Unassigned (deficit) | 1,201,998 | - | - | (100,035) | 1,101,963 |
| Total fund balances | \$ 1,307,651 | \$ 421,768 | \$ 1,539,152 | \$ 415,332 | \$ 3,683,903 |
| Total liabilities, deferred inflows and fund balance | \$ 7,095,272 | \$ 1,084,989 | \$ 1,555,211 | \$ 812,843 | \$ 10,548,315 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

| | | | |
|--|----|-------------|-------------|
| Total governmental fund balances | | \$ | 3,683,903 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 32,108,122 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 283,851 | |
| Income taxes receivable | | 136,181 | |
| Accrued interest receivable | | 1,206 | |
| Intergovernmental receivable | | 100,360 | |
| Total | | 100,360 | 521,598 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (461,670) |
| Unamortized amounts on refundings are not recognized in the funds. | | | 355,581 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (30,566) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (8,831,658) | |
| Capital lease obligations | | (214,836) | |
| Compensated absences | | (889,347) | |
| Total | | (9,935,841) | (9,935,841) |
| Net position of governmental activities | | \$ | 26,241,127 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>General</u> | <u>Bond Retirement</u> | <u>Classroom Facilities</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------|---------------------------------|--|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Property taxes | \$ 4,448,907 | \$ 746,710 | \$ - | \$ 191,111 | \$ 5,386,728 |
| Income taxes | 1,941,106 | - | - | - | 1,941,106 |
| Tuition | 724,913 | - | - | - | 724,913 |
| Earnings on investments | 12,527 | - | 250 | 282 | 13,059 |
| Charges for services | - | - | - | 192,378 | 192,378 |
| Extracurricular | 139,010 | - | - | 177,395 | 316,405 |
| Classroom materials and fees | 80,908 | - | - | - | 80,908 |
| Rental income | 20,104 | - | - | - | 20,104 |
| Contributions and donations | 78,664 | - | - | 14,565 | 93,229 |
| Other local revenues | 92,108 | - | - | 121,775 | 213,883 |
| Intergovernmental - intermediate | - | - | - | 14,838 | 14,838 |
| Intergovernmental - state | 8,549,074 | 107,899 | - | 68,954 | 8,725,927 |
| Intergovernmental - federal | 64,889 | - | - | 1,385,069 | 1,449,958 |
| Total revenues | 16,152,210 | 854,609 | 250 | 2,166,367 | 19,173,436 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,584,522 | - | - | 173,272 | 5,757,794 |
| Special | 2,243,026 | - | - | 637,358 | 2,880,384 |
| Vocational | 132,612 | - | - | 3,678 | 136,290 |
| Other | 245,925 | - | - | 8,149 | 254,074 |
| Support services: | | | | | |
| Pupil | 1,622,540 | - | - | 42,359 | 1,664,899 |
| Instructional staff | 97,901 | - | - | 189 | 98,090 |
| Board of education | 33,653 | - | - | 175 | 33,828 |
| Administration | 1,157,565 | - | - | - | 1,157,565 |
| Fiscal | 542,138 | 13,299 | - | 3,390 | 558,827 |
| Operations and maintenance | 1,352,122 | - | 15,811 | 138,884 | 1,506,817 |
| Pupil transportation | 1,283,522 | - | - | - | 1,283,522 |
| Central | 76,825 | - | - | 11,302 | 88,127 |
| Operation of non-instructional services: | | | | | |
| Food service operations | - | - | - | 735,670 | 735,670 |
| Extracurricular activities | 301,195 | - | - | 342,497 | 643,692 |
| Facilities acquisition and construction | 1,295 | - | 7,597 | - | 8,892 |
| Capital outlay | 288,820 | - | - | - | 288,820 |
| Debt service: | | | | | |
| Principal retirement | 73,984 | 475,000 | - | - | 548,984 |
| Interest and fiscal charges | 69,486 | 327,363 | - | - | 396,849 |
| Total expenditures | 15,107,131 | 815,662 | 23,408 | 2,096,923 | 18,043,124 |
| Excess (deficiency) of revenues over (under) expenditures | 1,045,079 | 38,947 | (23,158) | 69,444 | 1,130,312 |
| Other financing sources (uses): | | | | | |
| Transfers in | 46 | - | - | 108,033 | 108,079 |
| Transfers (out) | (108,033) | - | - | (46) | (108,079) |
| Capital lease transaction | 288,820 | - | - | - | 288,820 |
| Total other financing sources (uses) | 180,833 | - | - | 107,987 | 288,820 |
| Net change in fund balances | 1,225,912 | 38,947 | (23,158) | 177,431 | 1,419,132 |
| Fund balances at beginning of year | 81,739 | 382,821 | 1,562,310 | 237,688 | 2,264,558 |
| Increase in reserve for inventory | - | - | - | 213 | 213 |
| Fund balances at end of year | \$ 1,307,651 | \$ 421,768 | \$ 1,539,152 | \$ 415,332 | \$ 3,683,903 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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, 2013

| | | |
|---|-----------|----------------|
| Net change in fund balances - total governmental funds | \$ | 1,419,132 |
| <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. | | |
| Capital asset additions | \$ 21,976 | |
| Current year depreciation | (970,962) | |
| Total | | (948,986) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | 213 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 7,076 | |
| Income taxes | 3,220 | |
| Earnings on investments | (110) | |
| Intergovernmental | (182,229) | |
| Total | | (172,043) |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were: | | |
| Bonds | 475,000 | |
| Capital leases | 73,984 | |
| Total | | 548,984 |
| Issuance of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. | | |
| | | (288,820) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| Decrease in accrued interest payable | 1,698 | |
| Accreted interest on capital appreciation bonds | (65,818) | |
| Amortization of bond premiums | 37,182 | |
| Amortization of deferred charges | (28,637) | |
| Total | | (55,575) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 175,555 |
| Change in net position of governmental activities | \$ | 678,460 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 4,094,866 | \$ 4,116,868 | \$ 4,116,868 | \$ - |
| Income taxes | 1,862,000 | 1,914,034 | 1,914,147 | 113 |
| Tuition | 640,150 | 724,313 | 724,913 | 600 |
| Earnings on investments | 15,020 | 22,036 | 23,811 | 1,775 |
| Extracurricular | 111,740 | 115,665 | 117,459 | 1,794 |
| Classroom materials and fees | 70,180 | 80,688 | 81,055 | 367 |
| Rental income | 23,000 | 21,000 | 20,104 | (896) |
| Contributions and donations | 127,921 | 78,381 | 78,664 | 283 |
| Other local revenues | 5,995 | 78,360 | 78,564 | 204 |
| Intergovernmental - state | 8,755,680 | 8,748,848 | 8,549,074 | (199,774) |
| Intergovernmental - federal | 67,840 | 67,840 | 64,889 | (2,951) |
| Total revenues | 15,774,392 | 15,968,033 | 15,769,548 | (198,485) |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,694,733 | 5,943,069 | 5,672,255 | 270,814 |
| Special | 2,404,318 | 2,355,174 | 2,232,493 | 122,681 |
| Vocational | 199,672 | 152,637 | 142,846 | 9,791 |
| Other | 267,438 | 324,947 | 306,800 | 18,147 |
| Support services: | | | | |
| Pupil | 1,733,822 | 1,693,183 | 1,625,535 | 67,648 |
| Instructional staff | 110,582 | 113,931 | 103,446 | 10,485 |
| Board of education | 28,888 | 38,304 | 35,028 | 3,276 |
| Administration | 1,254,413 | 1,243,093 | 1,153,436 | 89,657 |
| Fiscal | 487,280 | 569,963 | 519,474 | 50,489 |
| Operations and maintenance | 1,489,616 | 1,561,285 | 1,411,646 | 149,639 |
| Pupil transportation | 1,439,470 | 1,433,498 | 1,311,467 | 122,031 |
| Central | 566,790 | 227,721 | 178,007 | 49,714 |
| Extracurricular activities | 316,427 | 278,214 | 266,025 | 12,189 |
| Facilities acquisition and construction | 69 | 1,336 | 1,295 | 41 |
| Debt service: | | | | |
| Interest and fiscal charges | 3,701 | 71,262 | 69,120 | 2,142 |
| Total expenditures | 15,997,220 | 16,007,619 | 15,028,873 | 978,746 |
| Excess (deficiency) of revenues over (under) expenditures | (222,828) | (39,586) | 740,675 | 780,261 |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 115,000 | 135,019 | 135,139 | 120 |
| Refund of prior year's receipts | (68,927) | (68,927) | (58,430) | 10,497 |
| Transfers in | 204,612 | 185 | 187 | 2 |
| Transfers (out) | (108,033) | (108,033) | (108,033) | - |
| Advances in | 177,010 | 80,810 | 80,810 | - |
| Advances (out) | (14,416) | (14,416) | (14,416) | - |
| Sale of assets | 1,050 | 3,960 | 4,095 | 135 |
| Total other financing sources (uses) | 306,296 | 28,598 | 39,352 | 10,754 |
| Net change in fund balance | 83,468 | (10,988) | 780,027 | 791,015 |
| Fund balance at beginning of year | 833,511 | 833,511 | 833,511 | - |
| Prior year encumbrances appropriated | 62,824 | 62,824 | 62,824 | - |
| Fund balance at end of year | \$ 979,803 | \$ 885,347 | \$ 1,676,362 | \$ 791,015 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

| | <u>Private Purpose Trust</u> | |
|--|----------------------------------|------------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets: | | |
| Equity in pooled cash and investments | \$ 10,518 | \$ 60,065 |
| Total assets. | <u>10,518</u> | <u>\$ 60,065</u> |
| Liabilities: | | |
| Accounts payable. | - | \$ 6,506 |
| Loans payable | 459 | 135 |
| Due to students. | <u>-</u> | <u>53,424</u> |
| Total liabilities | <u>459</u> | <u>\$ 60,065</u> |
| Net position: | | |
| Held in trust for scholarships | <u>10,059</u> | |
| Total net position. | <u>\$ 10,059</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Private Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 83 |
| Total additions | 83 |
| Deductions: | |
| Scholarships awarded | 500 |
| Change in net position | (417) |
| Net position at beginning of year. | 10,476 |
| Net position at end of year | \$ 10,059 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The North Fork Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. 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 in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 156 square miles. It is located in Licking and Knox Counties, and includes all of the Villages of Utica and St. Louisville, a portion of the City of Newark, all of McKean, Newton and Washington Townships and portions of Burlington, Eden, and Mary Ann Townships in Licking County. It also includes all of the Village of Martinsburg and parts of Morgan and Clay Townships. It is staffed by 116 certified personnel and 86 noncertified employees who provide services to 1,721 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 bus maintenance garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association (LACA)

LACA is the computer service organization or Data Acquisition Site (DAS) used by the District. LACA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Licking County C-TEC acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs LACA. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility.

Licking County Career and Technology Educational Center (C-TEC)

The C-TEC is a distinct political subdivision of the State of Ohio, which provides vocational education for students. The C-TEC is operated under the direction of a Board consisting of three representatives from the Licking County Educational Service Center, two representatives from Newark City Schools, one representative from the Heath City Schools, and one representative from the Granville Exempted Village Schools elected boards. The C-TEC possesses its own budgeting and taxing authority. Financial information can be obtained from Ben Streby, who serves as the Chief Fiscal Officer, at 150 Price Road, Newark, Ohio 43055.

PUBLIC ENTITY RISK POOLS

Ohio School Plan

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school districts' superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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. The District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student and community activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements- Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances 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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On 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 fiscal year end: property taxes available as an advance, income tax, interest, tuition, grants, student fees and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, accrued interest not available and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

Deferred outflows of resources consist of unamortized deferred charges on debt refunding as reported on the statement of net position

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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 governmental funds.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination. The Licking County Budget Commissioners waived the requirement for fiscal year 2013.

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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 budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations:

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

F. Cash and Investments

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's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2013, investments were limited to negotiable certificates of deposit, U.S. Government money market funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 2013 amounted to \$12,527, which includes \$4,857 assigned from other District funds.

For presentation on the basic financial statements, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are associated with and generally are from governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, 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 \$1,200. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, 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>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 15 - 20 years |
| Buildings and improvements | 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 8 - 10 years |

I. Interfund Balances

Receivables and payables resulting from interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. Receivables resulting from loans to the agency and private purpose trust funds are reported as loans receivable on the governmental financial statements.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service or employees age 60 or greater were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations 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, compensated absences 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 during the current year. Bonds and leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for a special trust and school bus purchases.

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

N. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

O. Restricted Assets

Assets are reported as restricted assets 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. Restricted assets include the amount set-aside for school bus purchases. See Note 18 for additional information regarding set-asides.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund 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/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

Q. 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. Neither type of transaction occurred during fiscal year 2013.

R. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt reported on the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The accounting gain or loss is amortized over the remaining life of the old debt or life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position on the government-wide financial statements.

On the government-wide financial statements, bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.A.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

| | Governmental Activities |
|---|----------------------------|
| Net assets as previously reported | \$ 25,733,541 |
| Removal of unamortized bond issuance costs | (170,874) |
| Net position at July 1, 2012 | \$ 25,562,667 |

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-----------------------|----------------|
| Food service | \$ 44,056 |
| Race to the Top | 9,955 |
| Title VI-B | 22,285 |
| Title I | 21,609 |
| Title VI-R | 487 |

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - 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.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 monies deposited with the institution.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$20 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash investments".

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$1,772,569. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$1,266,030 of the District's bank balance of \$1,805,630 was exposed to custodial risk as discussed below, while \$539,600 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2013, the District had the following investments and maturities:

| Investment type | Fair Value | Investment Maturities | | | | |
|------------------------------|--------------|-----------------------|-------------------|--------------------|--------------------|---------------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| STAR Ohio | \$ 196,867 | \$ 196,867 | \$ - | \$ - | \$ - | \$ - |
| Negotiable CD's | 623,869 | 520,810 | - | - | - | 103,059 |
| U.S. Government money market | 1,677,285 | 1,677,285 | - | - | - | - |
| Totals | \$ 2,498,021 | \$ 2,394,962 | \$ - | \$ - | \$ - | \$ 103,059 |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable CD's are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------------|-------------------------|-------------------|
| STAR Ohio | \$ 196,867 | 7.88 |
| Negotiable CD's | 623,869 | 24.98 |
| U.S. Government money market | <u>1,677,285</u> | <u>67.14</u> |
| Total | <u>\$ 2,498,021</u> | <u>100.00</u> |

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

| <u>Cash and investments per note</u> | |
|--------------------------------------|---------------------|
| Carrying amount of deposits | \$ 1,772,569 |
| Investments | 2,498,021 |
| Cash on hand | <u>20</u> |
| Total | <u>\$ 4,270,610</u> |

| <u>Cash and investments per statement of net position</u> | |
|---|---------------------|
| Governmental activities | \$ 4,200,027 |
| Private-purpose trust fund | 10,518 |
| Agency fund | <u>60,065</u> |
| Total | <u>\$ 4,270,610</u> |

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statement:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|------------------|
| General | Nonmajor governmental funds | <u>\$ 13,454</u> |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund statements:

| | |
|---|-------------------|
| | <u>Amount</u> |
| <u>Transfers to nonmajor governmental funds from:</u> | |
| General | <u>\$ 108,033</u> |
| | |
| | <u>Amount</u> |
| <u>Transfers to general fund from:</u> | |
| Nonmajor governmental fund | <u>\$ 46</u> |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer into the general fund was a residual fund equity transfer to close out the gifted supplement program.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- C. Loans between governmental funds and the fiduciary funds are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

| <u>Loan from</u> | <u>Loan to</u> | <u>Amount</u> |
|------------------|----------------------------|---------------|
| General fund | Agency fund | \$ 135 |
| General fund | Private purpose trust fund | <u>459</u> |
| Total | | <u>\$ 594</u> |

These loans are expected to be repaid in the subsequent year as resources become available in the agency and private purpose trust funds.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Licking and Knox Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$507,995 in the general fund, \$87,918 in the bond retirement fund, \$12,590 in the permanent improvement fund (a nonmajor governmental fund) and \$9,963 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$175,956 in the general fund, \$30,030 in the bond retirement fund, \$4,314 in the permanent improvement fund (a nonmajor governmental fund) and \$3,470 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

| | 2012 Second Half Collections | | 2013 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 210,315,920 | 92.90 | \$ 210,504,020 | 92.56 |
| Public utility personal | <u>16,077,000</u> | <u>7.10</u> | <u>16,927,240</u> | <u>7.44</u> |
| Total | <u>\$ 226,392,920</u> | <u>100.00</u> | <u>\$ 227,431,260</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$33.40 | | \$33.40 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|-------------------|---------------------|
| Property taxes | \$ 5,283,964 |
| Income taxes | 763,096 |
| Accounts | 10,624 |
| Intergovernmental | 268,153 |
| Accrued interest | <u>6,760</u> |
| Total | <u>\$ 6,332,597</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2008 and was effective for a period of three years, until December 31, 2010. The income tax was renewed January 1, 2011 and is in effect until December 31, 2013. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,941,106 for fiscal year 2013.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | <u>Balance</u> <u>06/30/12</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/13</u> |
|---|-----------------------------------|---------------------|-------------------|-----------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 351,574 | \$ - | \$ - | \$ 351,574 |
| Total capital assets, not being depreciated | <u>351,574</u> | <u>-</u> | <u>-</u> | <u>351,574</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 548,251 | - | - | 548,251 |
| Building and improvements | 36,624,571 | - | - | 36,624,571 |
| Furniture and equipment | 3,749,706 | 21,976 | - | 3,771,682 |
| Vehicles | <u>1,874,567</u> | <u>-</u> | <u>-</u> | <u>1,874,567</u> |
| Total capital assets, being depreciated | <u>42,797,095</u> | <u>21,976</u> | <u>-</u> | <u>42,819,071</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (337,503) | (31,599) | - | (369,102) |
| Building and improvements | (5,417,938) | (716,315) | - | (6,134,253) |
| Furniture and equipment | (2,981,372) | (133,584) | - | (3,114,956) |
| Vehicles | <u>(1,354,748)</u> | <u>(89,464)</u> | <u>-</u> | <u>(1,444,212)</u> |
| Total accumulated depreciation | <u>(10,091,561)</u> | <u>(970,962)</u> | <u>-</u> | <u>(11,062,523)</u> |
| Governmental activities capital assets, net | <u>\$ 33,057,108</u> | <u>\$ (948,986)</u> | <u>\$ -</u> | <u>\$ 32,108,122</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 555,982 |
| Special | 8,373 |
| Vocational | 35,526 |
| Other | 6,920 |
| <u>Support services:</u> | |
| Pupil | 7,978 |
| Instructional staff | 13,240 |
| Administration | 21,000 |
| Fiscal | 343 |
| Operations and maintenance | 31,566 |
| Pupil transportation | 101,434 |
| Extracurricular activities | 114,854 |
| Food service operations | <u>73,746</u> |
| Total depreciation expense | <u>\$ 970,962</u> |

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

| | Balance | | | Balance | Amount |
|---|----------------------|-------------------|---------------------|----------------------|----------------------------------|
| | <u>06/30/12</u> | <u>Increase</u> | <u>Decrease</u> | <u>06/30/13</u> | <u>Due in</u> <u>One Year</u> |
| <u>General obligation bonds:</u> | | | | | |
| 2001 Series Issue: | | | | | |
| Current interest bonds | \$ 2,870,000 | \$ - | \$ (400,000) | \$ 2,470,000 | \$ - |
| 2007 Series Issue: | | | | | |
| Current interest bonds | 4,685,000 | - | (75,000) | 4,610,000 | 500,000 |
| Capital appreciation bonds | 210,000 | - | - | 210,000 | - |
| Accreted interest | 195,840 | 65,818 | - | 261,658 | - |
| 2010 Energy conservation bonds | <u>1,280,000</u> | <u>-</u> | <u>-</u> | <u>1,280,000</u> | <u>-</u> |
| Total general obligation bonds | <u>9,240,840</u> | <u>65,818</u> | <u>(475,000)</u> | <u>8,831,658</u> | <u>500,000</u> |
| Capitals lease obligation | <u>-</u> | <u>288,820</u> | <u>(73,984)</u> | <u>214,836</u> | <u>70,268</u> |
| Compensated absences: | | | | | |
| Severance | 1,101,254 | - | (210,221) | 891,033 | 116,888 |
| Vacation leave | <u>119,591</u> | <u>115,202</u> | <u>(119,591)</u> | <u>115,202</u> | <u>115,202</u> |
| Total compensated absences | <u>1,220,845</u> | <u>115,202</u> | <u>(329,812)</u> | <u>1,006,235</u> | <u>232,090</u> |
| Total governmental activities long-term liabilities | <u>\$ 10,461,685</u> | <u>\$ 469,840</u> | <u>\$ (878,796)</u> | 10,052,729 | <u>\$ 802,358</u> |
| Add: unamortized premium | | | | <u>461,670</u> | |
| Total on statement of net position | | | | <u>\$ 10,514,399</u> | |

Compensated absences will be paid from the fund from which the employee is paid. The fund which primarily records this activity is the general fund.

- B. General Obligation Bonds - On May 1, 2001, the North Fork Local School District issued \$11,400,000 in School Improvement General Obligation Bonds with an interest rate varying from 3.50% to 5.75%. The bonds were issued for the purpose of constructing additions to existing school buildings and structures. This money was used in conjunction with a classroom facility grant established by the State of Ohio and managed by the Ohio School Facilities Commission. These bonds will be paid from the bond retirement fund.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Series 2001 current interest bonds outstanding at June 30, 2013, are as follows:

| Fiscal Year Ending June 30, | Current Interest Bonds | | |
|--------------------------------|------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2014 | \$ - | \$ 142,025 | \$ 142,025 |
| 2015 | 440,000 | 129,375 | 569,375 |
| 2016 | 465,000 | 103,356 | 568,356 |
| 2017 | 495,000 | 75,756 | 570,756 |
| 2018 | 520,000 | 46,575 | 566,575 |
| 2019 | 550,000 | 15,813 | 565,813 |
| Total | <u>\$ 2,470,000</u> | <u>\$ 512,900</u> | <u>\$ 2,982,900</u> |

- C. On January 14, 2008, the District issued general obligation bonds (Series 2007 School Facilities Improvement Refunding Bonds) to advance refund \$5,245,000 of the Series 2001 current interest general obligation bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$5,035,000, and capital appreciation bonds, par value \$210,000. The interest rates on the current interest bonds range from 3.25% to 4.00%. The capital appreciation bonds mature on December 1, 2019 and December 1, 2020, (stated interest 15.322 - 15.864%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,345,000. Total accreted interest of \$261,658 has been included in the statement of net position. Interest payments of the current interest bonds are due on June 1 and December 1 of each year and are paid from the bond retirement fund. The final maturity date stated on the issue is December 1, 2025.

The following is a schedule of activity for fiscal year 2013 on the Series 2007 refunding bonds:

| | Balance 06/30/12 | Additions | Reductions | Balance 06/30/13 |
|----------------------------|---------------------|------------------|--------------------|---------------------|
| Current interest bonds | \$ 4,685,000 | \$ - | \$ (75,000) | \$ 4,610,000 |
| Capital appreciation bonds | 210,000 | - | - | 210,000 |
| Accreted interest | 195,840 | 65,818 | - | 261,658 |
| Total refunding bonds | <u>\$ 5,090,840</u> | <u>\$ 65,818</u> | <u>\$ (75,000)</u> | <u>\$ 5,081,658</u> |

The reacquisition price exceeded the net carrying amount of the old debt by \$513,086. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2007 refunding bonds:

| Fiscal Year Ending June 30, | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|--------------------------------|------------------------|---------------------|---------------------|----------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 500,000 | \$ 166,494 | \$ 666,494 | \$ - | \$ - | \$ - |
| 2015 | 75,000 | 157,103 | 232,103 | - | - | - |
| 2016 | 100,000 | 154,150 | 254,150 | - | - | - |
| 2017 | 100,000 | 150,712 | 250,712 | - | - | - |
| 2018 | 100,000 | 147,213 | 247,213 | - | - | - |
| 2019 - 2023 | 1,475,000 | 660,468 | 2,135,468 | 210,000 | 1,135,000 | 1,345,000 |
| 2024 - 2026 | <u>2,260,000</u> | <u>138,000</u> | <u>2,398,000</u> | - | - | - |
| Total | <u>\$ 4,610,000</u> | <u>\$ 1,574,140</u> | <u>\$ 6,184,140</u> | <u>\$ 210,000</u> | <u>\$ 1,135,000</u> | <u>\$ 1,345,000</u> |

D. Energy Conservation Bonds - Series 2010

In November 2010, the District issued \$1,280,000 in energy conservation bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 5.40%, mature on June 1, 2025 and will be paid from the general fund. The District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on December 1, in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date):

| December 1 of year | Amounts Due |
|-----------------------|---------------------|
| 2013 | \$ 85,333 |
| 2014 | 85,333 |
| 2015 | 85,333 |
| 2016 | 85,333 |
| 2017 | 85,334 |
| 2018 | 85,333 |
| 2019 | 85,334 |
| 2020 | 85,333 |
| 2021 | 85,334 |
| 2022 | 85,333 |
| 2023 | 85,334 |
| 2024 | 85,333 |
| 2025 | <u>85,334</u> |
| Total | <u>\$ 1,109,334</u> |

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The District receives a reimbursement from the United States Treasury equal to 100% of the lesser of the interest payments on the energy conservation bonds or the federal tax credits that would have otherwise been available to the holders of the energy conservation bonds. Although it is the intention of the District to record this reimbursement as federal intergovernmental revenue in the debt service fund, to pay debt service on the bonds, the District is not required to do so under Federal or State law.

The following is a summary of future debt service requirements to maturity for the energy conservation bonds outstanding at June 30, 2013:

| Fiscal Year Ending June 30, | Energy Conservation Bonds | | |
|--------------------------------|---------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2014 | \$ - | \$ 69,120 | \$ 69,120 |
| 2015 | - | 69,120 | 69,120 |
| 2016 | - | 69,120 | 69,120 |
| 2017 | - | 69,120 | 69,120 |
| 2018 | - | 69,120 | 69,120 |
| 2019 - 2023 | - | 345,600 | 345,600 |
| 2024 - 2025 | <u>1,280,000</u> | <u>138,240</u> | <u>1,418,240</u> |
| Total | <u>\$ 1,280,000</u> | <u>\$ 829,440</u> | <u>\$ 2,109,440</u> |

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$12,320,581 (including available funds of \$421,768) and an unvoted debt margin of \$227,431.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2013 the District entered into a capital lease for computer equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds and as a reduction to the liability for the principal portion on the government-wide financial statements. These expenditures are reported as function expenditures on the budgetary statements.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

The computer equipment has not been capitalized as the individual assets do not meet the District’s capitalization threshold. Principal payments in fiscal year 2013 totaled \$73,984 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2014 | \$ 74,350 |
| 2015 | 74,351 |
| 2016 | <u>74,350</u> |
| Total minimum lease payments | 223,051 |
| Less: amount representing interest | <u>(8,215)</u> |
| Total | <u>\$ 214,836</u> |

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 30 days for certified and classified employees, plus one-fourth of accrued personal leave. In addition, employees with 20 years or more service with the District receive payment for all days in excess of 120 days.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through UNUM Life Insurance Company. Premiums are paid from the same fund that pays the employees salaries.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

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 2013, the District purchased insurance through the Governmental Underwriter of America (the “GUA”), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by GUA are as follows:

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - RISK MANAGEMENT - (Continued)

| | | |
|---|------------------------|--------------|
| Total policy coverage - includes the following: | | |
| Building and Contents (\$1,000 deductible) | | \$50,568,412 |
| Uninsured/underinsured motorist | | 1,000,000 |
| Medical payments | 5,000/25,000 aggregate | 10,000 |
| Public Employee Dishonesty | | 150,000 |
| General school district liability | | |
| Per occurrence | | 1,000,000 |
| Aggregate | | 3,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Employee Health Benefits

The District provides health and prescription insurance through United Health Care and dental insurance through CoreSource/Oasis Trust for all eligible employees. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2013, the District cost for paid premium for medical and dental was \$1,435.99 and \$105.45 for family coverage and \$531.91 and \$48.20 for single coverage, per month, respectively.

C. Workers' Compensation

The District pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates. The District utilizes SheakleyUniService, Inc. to process claims and Hunter Consulting as a third party administrator.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$301,856, \$285,207 and \$290,997, respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$855,249, \$866,319 and \$886,986, respectively; 83.47 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$33,093 made by the District and \$23,638 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$35,841, \$46,734 and \$76,447, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$17,051, \$16,843 and \$18,726, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$65,788, \$66,640 and \$68,230, respectively; 83.47 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 780,027 |
| Net adjustment for revenue accruals | 351,662 |
| Net adjustment for expenditure accruals | (127,208) |
| Net adjustment for other sources/uses | 141,481 |
| Funds budgeted elsewhere * | 2,022 |
| Adjustment for encumbrances | 77,928 |
| GAAP basis | <u>\$ 1,225,912</u> |

* Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the public school support fund, the Pepsi contract fund, and the underground storage tank fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2012 | \$ - |
| Current year set-aside requirement | 298,051 |
| Current year qualifying expenditures | (845,087) |
| Current year offsets | <u>(232,141)</u> |
| Total | <u>\$ (779,177)</u> |
| Balance carried forward to fiscal year 2014 | <u>\$ -</u> |
| Set-aside balance June 30, 2013 | <u>\$ -</u> |

A schedule of the restricted assets at June 30, 2013 follows:

| | |
|--|------------------|
| Amount restricted for school bus purchases | |
| Total restricted cash | <u>\$ 27,758</u> |

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|----------------------|----------------------------------|
| General | \$ 47,041 |
| Classroom facilities | 75,186 |
| Other governmental | <u>75,357</u> |
| Total | <u>\$ 197,584</u> |

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 20 - MANAGEMENT PLAN

The District had an unrestricted net position deficiency of \$775,065 improve to an unrestricted net position of \$548,215 at June 30, 2013. The general fund improved during fiscal year 2013 from a fund balance of \$81,739 at June 30, 2012 to a fund balance of \$1,307,651 at June 30, 2013. During fiscal year 2010, the Ohio Department of Education (ODE) placed the District on fiscal caution. ODE approved a recovery plan for fiscal year 2013 that included several staff reductions and purchased service reductions.

The District successfully renewed its current 1% income tax which was to expire December 31, 2013.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Receipts | Expenditures |
|--|------------------------------------|-----------------------------------|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Cash Assistance | | | |
| Federal Breakfast Program | 10.553 | \$ 178,445 | \$ 178,445 |
| National School Lunch Program | 10.555 | 294,731 | 294,731 |
| Total Child Nutrition Cluster | | <u>473,176</u> | <u>473,176</u> |
| Total U.S. Department of Agriculture | | <u>473,176</u> | <u>473,176</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Education Agencies | 84.010 | 389,928 | 354,960 |
| Special Education Grants to States (IDEA Part B) | 84.027 | 369,137 | 354,722 |
| Title II-A Improving Teacher Quality | 84.367 | 72,835 | 72,799 |
| ARRA - Race to the Top | 84.395 | <u>6,768</u> | <u>13,909</u> |
| Total U.S. Department of Education | | <u>838,668</u> | <u>796,390</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the spread of HIV and Other Important Health Problems. | 93.938 | <u>5,000</u> | <u>5,000</u> |
| Total U.S. Department of Health and Human Services | | <u>5,000</u> | <u>5,000</u> |
| Total Federal Awards | | <u><u>\$ 1,316,845</u></u> | <u><u>\$ 1,274,566</u></u> |

The accompanying notes are an integral part of this schedule.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

North Fork Local School District
Licking County
312 Maple Avenue
Utica, Ohio 43080

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014



Dave Yost • Auditor of State

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

North Fork Local School District
Licking County
312 Maple Avenue
Utica, Ohio 43080

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the North Fork Local School District's, Licking County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Nutrition Cluster

As described in finding 2013-002 in the accompanying schedule of findings, the District did not comply with requirements regarding special tests and provisions applicable to its Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Nutrition Cluster* paragraph, the North Fork Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Nutrition Cluster for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2013-001 and 2013-003. These findings did not require us to modify our compliance opinion on the major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2013-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-001 and 2013-003 to be significant deficiencies.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

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**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Qualified – Nutrition Cluster |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA # 10.553 & # 10.555 - Nutrition Cluster |
| <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 |

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

None

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

1. Eligibility Calculations

| | |
|------------------------------------|--|
| Finding Number | 2013-001 |
| CFDA Title and Number | CFDA # 10.553 & # 10.555 - Nutrition Cluster |
| Federal Award Number / Year | 2013 |
| Federal Agency | US Department of Agriculture |
| Pass-Through Agency | US Department of Education |

**Eligibility
Noncompliance/Significant Deficiency**

7 CFR 245.6(c) (4) States the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in §245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in §245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

The Food Service Supervisor receives applications for free and reduced priced lunches and calculates household income and number of household members to determine a student's classification for free, reduced, or full priced lunches. The Food Service Supervisor signs off on the application and checks the appropriate box based on classification to submit the application.

Testing over 60 free and reduced applications. There were two errors noted during our testing.

- One student was receiving free lunches when they were not eligible for either free or reduced price lunches. The income was calculated incorrectly based on the information on the application.
- One student was receiving free lunches when they were not eligible for free or reduced price lunches. An incorrect twelve digit case number was provided by applicant, when it should have been a ten digit case number.

We recommend a secondary review of applications, by someone within the District, to assist in detecting potential errors in the application process and avoid possible errors in federal reporting. We recommend formal policies be implemented over the application approval and review process. All food service staff should be provided with the policies and procedures. We also recommend that any correspondence between the applicant and Food Service Supervisor be documented and filed with the application.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (continued)

2. Verification of Applications

| | |
|------------------------------------|--|
| Finding Number | 2013-002 |
| CFDA Title and Number | CFDA # 10.553 & # 10.555 - Nutrition Cluster |
| Federal Award Number / Year | 2013 |
| Federal Agency | US Department of Agriculture |
| Pass-Through Agency | US Department of Education |

**Special Tests and Provisions – Verification of Free and Reduced Price Application
Noncompliance/Material Weakness**

By November 15th of each school year, the local education agency (LEA) (or State in certain cases) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st.

Sources of information for verification include written evidence, collateral contacts, and systems of records, as described in 7 CFR section 245.6a(b).

During testing of verification, we were able to view the report submitted to the Ohio Department of Education demonstrating the verification process was completed. However, there was no documentation to support which applications were selected, the number of applications selected, the response rate, or if verification resulted in a change in eligibility. The Food Service Supervisor indicated she shredded these documents.

We recommend the District maintain supporting documentation to demonstrate compliance with laws, regulations and other compliance requirements as well as follow the District's established records retention policy.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (continued)

3. Paid Lunch Equity Calculation

| | |
|------------------------------------|--|
| Finding Number | 2013-003 |
| CFDA Title and Number | CFDA # 10.553 & # 10.555 - Nutrition Cluster |
| Federal Award Number / Year | 2013 |
| Federal Agency | US Department of Agriculture |
| Pass-Through Agency | US Department of Education |

**Special Tests and Provisions – Paid Lunch Equity
Noncompliance/Significant Deficiency**

A School Food Authorities (SFA) participating in the National School Lunch Program is required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as “equity”. There are two ways to meet this requirement: (a) by raising the prices charged for paid lunches; or (b) through contributions from other non-Federal sources. SFAs with an average weighted price at or above the equity (currently \$2.51) have already met the requirement (42 USC 1760(p); 7 CFR sections 210.14(a) and 210.14(e)).

The District did not complete the calculation for lunch equity for fiscal year 2013. Lunch prices were below \$2.51 which required the District to make the equity calculation for fiscal year 2013. Although the District transferred funds from the General fund to the Food Service Fund, the calculation was not performed, and the District was unable to support whether the transfers would have covered the required increase in lunch prices.

We recommend the District complete the calculation each year to ensure sufficient funds are provided to the Food Service Fund to assure the “equity” requirement has been met.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|--|
| 2013-001 | During Fiscal Year 2014, the District began using a new food service software system. Applications for free/reduced students can be added to the system, which automatically calculates household income. This reduces the risk for human error. The transition to this software system began January 2014. | 1/31/2014 | JoAnn Walton, Food Service Supervisor |
| 2013-002 | January 2014 this situation was discussed with the Food Service Supervisor. Public records retention was once again explained. This should auto correct, and not happen again. | 1/31/2014 | Tonya Mickley, Treasurer |
| 2013-003 | Going forward, this will be calculated yearly. Fiscal Year 2014 calculation was performed in January 2014 with no noted equity issues. | 1/31/2014 | JoAnn Walton, Food Service Supervisor |

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

North Fork Local School District
Licking County
312 Maple Avenue
Utica, Ohio 43080

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

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Dave Yost • Auditor of State

NORTH FORK LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2014**