



Dave Yost • Auditor of State

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund	22
Statement of Fiduciary Net Position Fiduciary Funds.....	23
Statement of Changes in Fiduciary Net Position Fiduciary Fund	24
Notes to the Basic Financial Statements	25
Schedules of Required Supplementary Information	62
Notes to Required Supplementary Information.....	68
Schedule of Expenditures of Federal Awards (Prepared by Management)	69
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management)	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	73

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2016**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of Findings.....	75
Summary Schedule of Prior Audit Findings (Prepared by Management).....	77
Corrective Action Plan (Prepared by Management)	78



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, the 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, 2016, 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, the major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio, as of June 30, 2016, 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*, and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 the schedule 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 21, 2017, 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$1,508,631 which represents a 24.47% increase from 2015.
- General revenues accounted for \$15,964,516 in revenue or 81.24% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,687,047 or 18.76% of total revenues of \$19,651,563.
- The District had \$18,142,932 in expenses related to governmental activities; only \$3,687,047 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 \$15,964,516 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$16,895,299 in revenues and \$15,275,922 in expenditures and other financing uses. During fiscal 2016, the general fund's fund balance increased \$1,619,377 from \$4,245,732 to a balance of \$5,865,109.

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 is by far the most significant fund, and the only governmental fund reported as a major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2016?" 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 16-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 12. 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 fund is the general 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 18-22 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 23 and 24. 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, 2016
(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 25-61 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62-68 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 14,040,663	\$ 12,866,512
Capital assets, net	<u>29,059,618</u>	<u>29,936,132</u>
Total assets	<u>43,100,281</u>	<u>42,802,644</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	269,669	298,306
Pension	<u>2,205,953</u>	<u>1,336,105</u>
Total deferred outflows of resources	<u>2,475,622</u>	<u>1,634,411</u>
<u>Liabilities</u>		
Current liabilities	1,756,766	2,504,711
Long-term liabilities:		
Due within one year	801,173	978,034
Due in more than one year:		
Net pension liability	20,704,422	18,292,979
Other amounts	<u>8,179,073</u>	<u>8,598,455</u>
Total liabilities	<u>31,441,434</u>	<u>30,374,179</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,899,920	4,593,898
Pensions	<u>1,561,646</u>	<u>3,304,706</u>
Total deferred inflows of resources	<u>6,461,566</u>	<u>7,898,604</u>
<u>Net position</u>		
Net investment in capital assets	21,989,163	22,081,923
Restricted	1,219,071	1,009,968
Unrestricted (deficit)	<u>(15,535,331)</u>	<u>(16,927,619)</u>
Total net position	<u>\$ 7,672,903</u>	<u>\$ 6,164,272</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

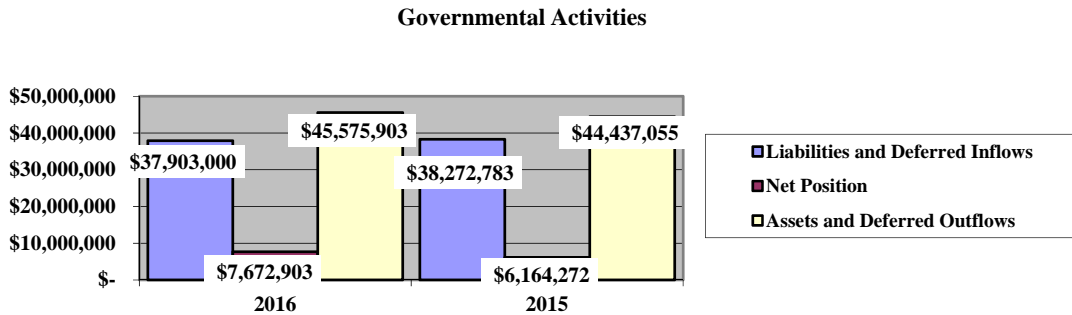
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$7,672,903.

At year-end, capital assets represented 67.42% 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, 2016, was \$21,989,163. 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, \$1,219,071, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$(15,535,331).

The table below illustrates the District's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2016 and June 30, 2015.



The table below shows the changes in net position for governmental activities for fiscal years 2016 and 2015.

Change in Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,554,135	\$ 1,503,254
Operating grants and contributions	2,132,912	2,134,381
Capital grants and contributions	-	21,089
General revenues:		
Property taxes	5,666,151	5,470,889
School district income taxes	2,037,018	1,973,849
Grants and entitlements	8,179,484	8,077,109
Investment earnings	45,373	10,749
Other	<u>36,490</u>	<u>176,759</u>
Total revenues	<u>\$ 19,651,563</u>	<u>\$ 19,368,079</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Change in Net Position

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,984,778	\$ 5,870,791
Special	2,753,383	2,740,259
Vocational	192,049	165,816
Adult/ continuing	9,001	-
Other	405,067	352,731
Support services:		
Pupil	1,064,369	1,610,025
Instructional staff	235,487	241,456
Board of education	29,069	54,586
Administration	1,139,867	1,098,851
Fiscal	497,073	461,990
Business	64,628	62,436
Operations and maintenance	1,528,769	1,493,882
Pupil transportation	1,197,439	1,295,467
Central	157,828	50,955
Operation of non-instructional services:		
Food service operations	812,124	753,148
Extracurricular activities	648,283	583,899
Interest and fiscal charges	423,718	443,034
 Total expenses	 <u>18,142,932</u>	 <u>17,279,326</u>
Special item	<u>-</u>	<u>(1,018,039)</u>
Change in net position	1,508,631	1,070,714
Net position at beginning of year	<u>6,164,272</u>	<u>5,093,558</u>
Net position at end of year	<u>\$ 7,672,903</u>	<u>\$ 6,164,272</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,508,631. Total governmental expenses of \$18,142,932 were offset by program revenues of \$3,687,047 and general revenues of \$15,964,516. Program revenues supported 20.32% 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 80.82% of total governmental revenue.

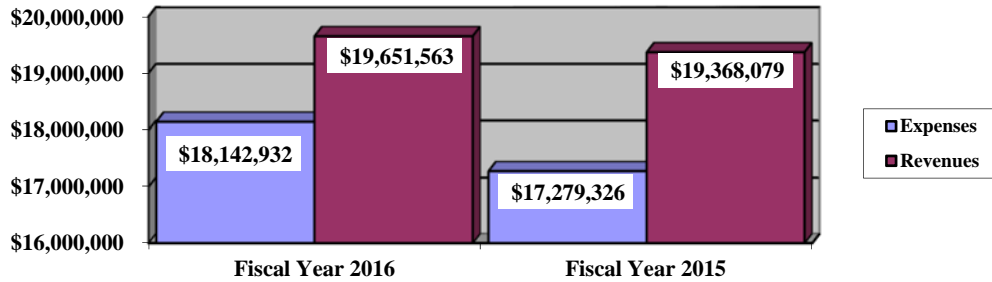
The largest expense of the District is for instructional programs. Instructional expenses totaled \$10,344,278 or 57.02% of total governmental expenses for fiscal year 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



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 <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 6,984,778	\$ 5,969,413	\$ 5,870,791	\$ 4,864,182
Special	2,753,383	1,395,506	2,740,259	1,366,286
Vocational	192,049	140,926	165,816	141,718
Adult/ continuing	9,001	7,348	-	-
Other	405,067	401,280	352,731	348,944
Support services:				
Pupil	1,064,369	1,064,369	1,610,025	1,591,628
Instructional staff	235,487	235,487	241,456	241,456
Board of education	29,069	28,530	54,586	54,586
Administration	1,139,867	1,139,867	1,098,851	1,098,851
Fiscal	497,073	497,073	461,990	461,990
Business	64,628	64,628	62,436	62,436
Operations and maintenance	1,528,769	1,507,724	1,493,882	1,446,673
Pupil transportation	1,197,439	1,110,077	1,295,467	1,206,379
Central	157,828	154,415	50,955	47,542
Operation of non-instructional services:				
Food service operations	812,124	88,844	753,148	49,812
Extracurricular activities	648,283	226,680	583,899	195,085
Interest and fiscal charges	423,718	423,718	443,034	443,034
Total expenses	<u>\$ 18,142,932</u>	<u>\$ 14,455,885</u>	<u>\$ 17,279,326</u>	<u>\$ 13,620,602</u>

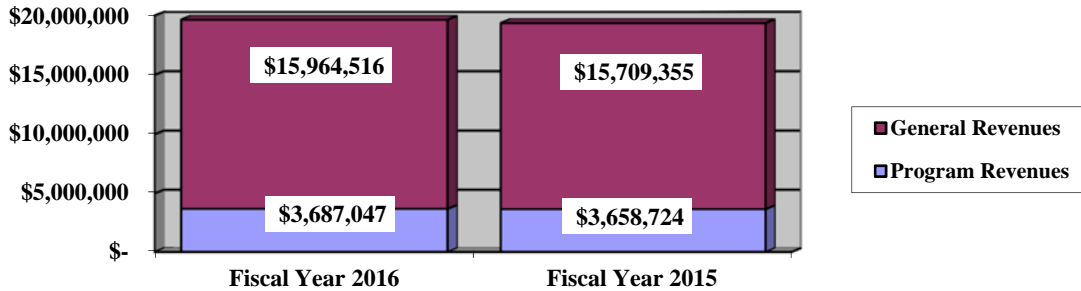
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; as 76.51% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.68%. 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 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$6,818,868, which is more than last year's balance of \$5,104,174. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Increase</u>
General	\$ 5,865,109	\$ 4,245,732	\$ 1,619,377
Other governmental	<u>953,759</u>	<u>858,442</u>	<u>95,317</u>
Total	<u>\$ 6,818,868</u>	<u>\$ 5,104,174</u>	<u>\$ 1,714,694</u>

General Fund

The District's general fund balance increased \$1,619,377. The increase in fund balance can be primarily attributed to increased revenues outpacing increasing expenditures. 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, 2016
(UNAUDITED)

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 4,832,028	\$ 4,568,836	\$ 263,192	5.76 %
Income taxes	2,023,446	1,968,915	54,531	2.77 %
Tuition	957,645	887,931	69,714	7.85 %
Earnings on investments	43,733	12,606	31,127	246.92 %
Intergovernmental	8,876,297	8,815,463	60,834	0.69 %
Other revenues	<u>162,150</u>	<u>275,288</u>	<u>(113,138)</u>	(41.10) %
Total	<u>\$ 16,895,299</u>	<u>\$ 16,529,039</u>	<u>\$ 366,260</u>	2.22 %
<u>Expenditures</u>				
Instruction	\$ 9,189,123	\$ 8,150,853	\$ 1,038,270	12.74 %
Support services	5,538,561	6,014,533	(475,972)	(7.91) %
Extracurricular activities	58,181	54,101	4,080	7.54 %
Facilities acquisition and construction	-	350,094	(350,094)	(100.00)
Debt service	<u>284,021</u>	<u>284,022</u>	<u>(1)</u>	(0.00) %
Total	<u>\$ 15,069,886</u>	<u>\$ 14,853,603</u>	<u>\$ 216,283</u>	1.46 %

Overall revenues in the general fund increased \$366,260 or 2.22%. Earnings on investment increased \$31,127 or 246.92% due to the District holding more monies in investment and bank accounts than in fiscal year 2015. Other revenues decreased \$113,138 or 41.10% due to the District receiving contributions and donations for special projects in fiscal year 2015. All other revenues remained comparable to the prior fiscal year.

Overall expenditures in the general fund increased \$216,283 or 1.46%. Facilities acquisition and construction decreased \$350,094 or 100.00% due to no capital assets or projects were purchased out of the general fund in the current fiscal year. Instruction increased \$1,038,270 or 12.74% due to an increase in regular expenses in fiscal year 2016. All other expenditures remained comparable to the prior fiscal year.

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 2016, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,411,581, which was \$1,031,933 more than the original budgeted revenues and other financing sources of \$16,379,648. Actual revenues and other financing sources for fiscal year 2016 were \$17,118,316, which was less than final budgeted revenues by \$293,265.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,836,387 were increased to \$18,345,078 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$16,303,189, which was \$2,041,889 less than the final budget appropriations. This variance was due to pupil transportation expenditures for supplies, repairs and fuel being less than anticipated and due to building repairs that were appropriated for but, were not completed by fiscal year end.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$29,059,618, net of depreciation, invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 421,922	\$ 421,922
Construction-in-progress	-	807,644
Land improvements	556,627	640,647
Building and improvements	26,689,749	26,651,304
Furniture and equipment	836,237	870,842
Vehicles	555,083	543,773
Total	\$ 29,059,618	\$ 29,936,132

The overall decrease in capital assets of \$876,514 is primarily due to depreciation expense of \$983,130 and disposals to capital assets of \$64,343 (net of accumulated depreciation), being more than capital outlays of \$170,959 in 2016.

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

Debt Administration

At June 30, 2016, the District had \$7,520,391 in general obligation bonds outstanding. Of this total, \$595,000 is due within one year and \$6,925,391 is due in greater than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2016	Governmental Activities 2015
General obligation bonds	\$ 7,520,391	\$ 7,982,060
Capital lease obligations	-	210,209
Total	\$ 7,520,391	\$ 8,192,269

At June 30, 2016, the District's overall legal voted debt margin was \$17,529,990 with an unvoted debt margin of \$254,736.

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, 2016
(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 the District will be at the 2015 level of funding for 2016 and then will be on straight formula funding beginning 2017. This level of funding still causing increased pressure on local sources of revenue and expenditures will need to be closely monitored in the future.

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.

During 2016, the District finished replacing the Junior High roof and updated the outside of the administration building to prolong its life and make it ADA accessible. A long-term facilities plan is being developed for future capital expenditures.

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, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 7,166,117
Receivables:	
Property taxes	5,907,386
Income taxes.	810,090
Accounts.	1,477
Accrued interest	5,260
Intergovernmental	146,820
Materials and supplies inventory.	1,519
Inventory held for resale.	1,994
Capital assets:	
Land	421,922
Depreciable capital assets, net.	28,637,696
Capital assets, net.	29,059,618
Total assets.	43,100,281
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	269,669
Pension - STRS	1,660,039
Pension - SERS	545,914
Total deferred outflows of resources	2,475,622
 Liabilities:	
Accounts payable.	50,951
Contracts payable.	69,300
Accrued wages and benefits payable	1,302,593
Intergovernmental payable	93,411
Pension and post employment benefits payable.	215,824
Accrued interest payable	24,687
Long-term liabilities:	
Due within one year.	801,173
Due in more than one year:	
Net pension liability	20,704,422
Other amounts due in more than one year.	8,179,073
Total liabilities.	31,441,434
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	4,899,920
Pension - STRS.	1,447,343
Pension - SERS.	114,303
Total deferred inflows of resources	6,461,566
 Net position:	
Net investment in capital assets	21,989,163
Restricted for:	
Capital projects	225,385
Classroom facilities maintenance	328,506
Locally funded programs	25,014
State funded programs.	508
Federally funded programs	399
Student activities	123,538
Other purposes	515,721
Unrestricted (deficit)	(15,535,331)
Total net position.	\$ 7,672,903

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, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 6,984,778	\$ 945,019	\$ 70,346	\$ (5,969,413)
Special	2,753,383	89,831	1,268,046	(1,395,506)
Vocational	192,049	-	51,123	(140,926)
Adult/continuing	9,001	2	1,651	(7,348)
Other	405,067	-	3,787	(401,280)
Support services:				
Pupil	1,064,369	-	-	(1,064,369)
Instructional staff	235,487	-	-	(235,487)
Board of education	29,069	65	474	(28,530)
Administration	1,139,867	-	-	(1,139,867)
Fiscal	497,073	-	-	(497,073)
Business	64,628	-	-	(64,628)
Operations and maintenance	1,528,769	21,045	-	(1,507,724)
Pupil transportation	1,197,439	2,961	84,401	(1,110,077)
Central	157,828	-	3,413	(154,415)
Operation of non-instructional services:				
Food service operations	812,124	237,722	485,558	(88,844)
Extracurricular activities	648,283	257,490	164,113	(226,680)
Interest and fiscal charges	423,718	-	-	(423,718)
Total governmental activities	<u>\$ 18,142,932</u>	<u>\$ 1,554,135</u>	<u>\$ 2,132,912</u>	<u>(14,455,885)</u>
General revenues:				
Property taxes levied for:				
General purposes				4,733,503
Debt service				742,299
Capital outlay				107,537
Special revenue				82,812
School district income taxes				2,037,018
Grants and entitlements not restricted to specific programs				8,179,484
Investment earnings				45,373
Miscellaneous				36,490
Total general revenues				<u>15,964,516</u>
Change in net position				1,508,631
Net position at beginning of year				<u>6,164,272</u>
Net position at end of year				<u>\$ 7,672,903</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 5,685,040	\$ 966,806	\$ 6,651,846
Receivables:			
Property taxes	4,932,641	974,745	5,907,386
Income taxes	810,090	-	810,090
Accounts	1,477	-	1,477
Accrued interest	5,260	-	5,260
Interfund loans	990	-	990
Intergovernmental	19,068	127,752	146,820
Materials and supplies inventory	-	1,519	1,519
Inventory held for resale	-	1,994	1,994
Due from other funds	45,482	-	45,482
Restricted assets:			
Equity in pooled cash and cash equivalents	514,271	-	514,271
Total assets	<u>\$ 12,014,319</u>	<u>\$ 2,072,816</u>	<u>\$ 14,087,135</u>
Liabilities:			
Accounts payable	\$ 41,023	\$ 9,928	\$ 50,951
Contracts payable	69,300	-	69,300
Accrued wages and benefits payable	1,181,638	120,955	1,302,593
Compensated absences payable	37,914	-	37,914
Intergovernmental payable	91,785	1,626	93,411
Pension and post employment benefits payable	177,745	38,079	215,824
Interfund loans payable	-	990	990
Due to other funds	-	45,482	45,482
Total liabilities	<u>1,599,405</u>	<u>217,060</u>	<u>1,816,465</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	4,094,749	805,171	4,899,920
Delinquent property tax revenue not available	281,749	57,697	339,446
Income tax revenue not available	154,687	-	154,687
Intergovernmental revenue not available	14,185	39,129	53,314
Accrued interest not available	4,435	-	4,435
Total deferred inflows of resources	<u>4,549,805</u>	<u>901,997</u>	<u>5,451,802</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	1,519	1,519
Restricted:			
Debt service	514,271	313,768	828,039
Capital improvements	-	218,925	218,925
Classroom facilities maintenance	-	323,384	323,384
Other purposes	-	27,371	27,371
Extracurricular	-	123,538	123,538
Committed:			
Underground storage tanks	11,000	-	11,000
Assigned:			
Student instruction	86,566	-	86,566
Student and staff support	286,012	-	286,012
Subsequent year's appropriations	471,034	-	471,034
Other purposes	3,907	-	3,907
Unassigned (deficit)	4,492,319	(54,746)	4,437,573
Total fund balances	<u>5,865,109</u>	<u>953,759</u>	<u>6,818,868</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,014,319</u>	<u>\$ 2,072,816</u>	<u>\$ 14,087,135</u>

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, 2016

Total governmental fund balances		\$	6,818,868
<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.			29,059,618
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	339,446	
Income taxes receivable		154,687	
Accrued interest receivable		4,435	
Intergovernmental receivable		53,314	
Total		53,314	551,882
Unamortized premiums on bonds issued are not recognized in the funds.			(350,124)
Unamortized amounts on refundings are not recognized in the funds.			269,669
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(24,687)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		2,205,953	
Deferred inflows of resources - pension		(1,561,646)	
Net pension liability		(20,704,422)	
Total		(20,704,422)	(20,060,115)
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		(7,520,391)	
Compensated absences		(1,071,817)	
Total		(8,592,208)	(8,592,208)
Net position of governmental activities		\$	7,672,903

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, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 4,832,028	\$ 951,250	\$ 5,783,278
Income taxes	2,023,446	-	2,023,446
Tuition	957,645	-	957,645
Transportation fees	2,961	-	2,961
Earnings on investments	43,733	1,654	45,387
Charges for services	-	237,722	237,722
Extracurricular	14,631	233,108	247,739
Classroom materials and fees	77,188	-	77,188
Rental income	21,045	-	21,045
Contributions and donations	463	13,058	13,521
Other local revenues	45,862	153,822	199,684
Intergovernmental - intermediate	4,000	13,614	17,614
Intergovernmental - state	8,743,310	175,675	8,918,985
Intergovernmental - federal	128,987	1,041,352	1,170,339
Total revenues	<u>16,895,299</u>	<u>2,821,255</u>	<u>19,716,554</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,407,075	71,559	6,478,634
Special	2,238,341	544,223	2,782,564
Vocational	159,691	-	159,691
Adult/continuing	8,001	1,000	9,001
Other	376,015	29,380	405,395
Support services:			
Pupil	1,051,519	-	1,051,519
Instructional staff	118,936	-	118,936
Board of education	28,972	400	29,372
Administration	1,144,374	-	1,144,374
Fiscal	495,181	18,107	513,288
Business	65,690	-	65,690
Operations and maintenance	1,289,266	134,509	1,423,775
Pupil transportation	1,207,440	-	1,207,440
Central	137,183	7,200	144,383
Operation of non-instructional services:			
Food service operations	-	761,844	761,844
Extracurricular activities	58,181	506,444	564,625
Facilities acquisition and construction	-	36,344	36,344
Debt service:			
Principal retirement	210,209	565,000	775,209
Interest and fiscal charges	73,812	257,506	331,318
Total expenditures	<u>15,069,886</u>	<u>2,933,516</u>	<u>18,003,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,825,413</u>	<u>(112,261)</u>	<u>1,713,152</u>
Other financing sources (uses):			
Transfers in	-	206,036	206,036
Transfers (out)	<u>(206,036)</u>	<u>-</u>	<u>(206,036)</u>
Total other financing sources (uses)	<u>(206,036)</u>	<u>206,036</u>	<u>-</u>
Net change in fund balances	1,619,377	93,775	1,713,152
Fund balances at beginning of year	4,245,732	858,442	5,104,174
Increase in reserve for inventory	-	1,542	1,542
Fund balances at end of year	<u>\$ 5,865,109</u>	<u>\$ 953,759</u>	<u>\$ 6,818,868</u>

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, 2016

Net change in fund balances - total governmental funds	\$	1,713,152
<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	\$ 170,959	
Current year depreciation	(983,130)	
Total		(812,171)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(64,343)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		1,542
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(117,127)	
Income taxes	13,572	
Earnings on investments	(10)	
Intergovernmental	7,615	
Total		(95,950)
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	565,000	
Capital leases	210,209	
Total		775,209
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	2,386	
Accreted interest on capital appreciation bonds	(103,331)	
Amortization of bond premiums	37,182	
Amortization of deferred charges	(28,637)	
Total		(92,400)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,235,230
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,033,765)
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.		
		(117,873)
Change in net position of governmental activities	\$	1,508,631

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,288,123	\$ 4,726,806	\$ 4,729,185	\$ 2,379
Income taxes	2,113,772	2,108,880	2,068,479	(40,401)
Tuition	954,746	1,019,926	957,645	(62,281)
Transportation fees	4,005	3,998	2,961	(1,037)
Earnings on investments	14,411	28,382	33,285	4,903
Extracurricular	-	300	300	-
Classroom materials and fees	68,221	75,698	77,188	1,490
Rental income	24,038	23,989	21,045	(2,944)
Contributions and donations	151	465	463	(2)
Other local revenues	48,128	70,872	70,135	(737)
Intergovernmental - intermediate	2	1,000	1,000	-
Intergovernmental - state	8,676,476	8,943,131	8,778,464	(164,667)
Intergovernmental - federal	63,075	62,926	63,227	301
Total revenues	16,255,148	17,066,373	16,803,377	(262,996)
Expenditures:				
Current:				
Instruction:				
Regular	6,760,647	6,725,518	6,514,640	210,878
Special	2,372,269	2,435,323	2,249,247	186,076
Vocational	155,044	177,125	157,857	19,268
Adult/continuing	370	15,031	8,001	7,030
Other	493,081	599,644	401,898	197,746
Support services:				
Pupil	1,118,123	1,122,320	1,064,779	57,541
Instructional staff	220,132	218,411	147,340	71,071
Board of education	100,383	98,408	41,075	57,333
Administration	1,592,179	1,546,610	1,329,099	217,511
Fiscal	520,643	573,248	503,933	69,315
Business	66,595	71,610	67,321	4,289
Operations and maintenance	1,621,085	1,619,899	1,364,234	255,665
Pupil transportation	1,714,460	1,720,135	1,476,923	243,212
Central	337,473	343,227	123,297	219,930
Extracurricular activities	71,041	90,321	90,497	(176)
Facilities acquisition and construction	462,384	450,423	225,944	224,479
Debt service:				
Interest and fiscal charges	72,314	68,655	69,120	(465)
Total expenditures	17,678,223	17,875,908	15,835,205	2,040,703
Excess (deficiency) of revenues over (under) expenditures	(1,423,075)	(809,535)	968,172	1,777,707
Other financing sources (uses):				
Refund of prior year's expenditures	115,000	115,000	92,467	(22,533)
Refund of prior year's receipts	(53,041)	(67,000)	(65,814)	1,186
Transfers in	-	187,600	187,600	-
Transfers (out)	(105,077)	(401,180)	(401,180)	-
Advances in	-	3,220	3,220	-
Advances (out)	(46)	(990)	(990)	-
Sale of capital assets	9,500	39,388	31,652	(7,736)
Total other financing sources (uses)	(33,664)	(123,962)	(153,045)	(29,083)
Net change in fund balance	(1,456,739)	(933,497)	815,127	1,748,624
Fund balance at beginning of year	4,381,325	4,381,325	4,381,325	-
Prior year encumbrances appropriated	616,939	616,939	616,939	-
Fund balance at end of year	\$ 3,541,525	\$ 4,064,767	\$ 5,813,391	\$ 1,748,624

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, 2016

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 9,118	\$ 51,776
Receivables:		
Accounts	-	79
Total assets.	<u>9,118</u>	<u>\$ 51,855</u>
Liabilities:		
Accounts payable.	-	\$ 1,923
Intergovernmental payable	-	3,168
Due to students.	-	46,764
Total liabilities	<u>-</u>	<u>\$ 51,855</u>
Net position:		
Held in trust for scholarships	<u>9,118</u>	
Total net position.	<u>\$ 9,118</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, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1
Total additions.	1
Deductions:	
Scholarships awarded	5
Change in net position	(4)
Net position at beginning of year.	9,122
Net position at end of year	\$ 9,118

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 117 certified personnel and 82 noncertified employees who provide services to 1,597 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, 2016

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.

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.

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 is the District's major governmental fund:

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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; (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 for deferred outflows of resources related the District's net pension liability.

For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide 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, 2016

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 2016.

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, 2016

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 re-appropriated.

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 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and STAR Plus. 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 has adopted GASB Statement 79, "Certain External Investment Pools and Pool Participants". The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. STAR Plus is a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

The District has invested funds in STAR Ohio during fiscal year 2016. 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, 2016.

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 2016 amounted to \$43,733, which includes \$4,874 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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. 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables”. Receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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, 2016, 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, 2016 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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 food service operations.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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 amounts set-aside as sinking fund requirements in the general fund for repayment of the series 2010 Energy Conservation bonds (See Note 10.D).

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. The District had neither type of transaction for fiscal year 2016.

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-fund 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, 2016

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

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

T. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 769
IDEA Part-B	24,238
Title I	16,798
Improving teacher quality	11,422

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance 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.

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 (STAR Ohio);
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.

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 investments".

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$5,454,131. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, all of the District's bank balance of \$5,497,448 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 197,603	\$ 197,603	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	682,607	125,010	-	301,230	-	256,367
FHLB	421,256	-	-	-	-	421,256
U.S. government money market	471,394	471,394	-	-	-	-
Totals	<u>\$ 1,772,860</u>	<u>\$ 794,007</u>	<u>\$ -</u>	<u>\$ 301,230</u>	<u>\$ -</u>	<u>\$ 677,623</u>

For fiscal year 2016, Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” was effective. These GASB pronouncements had no effect on beginning net position. Accordingly, the District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District’s recurring fair value measurements as of June 30, 2016.

The District investments in federal agency securities and negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

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.

Credit Risk: The federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. 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 negotiable CD’s are fully covered by the FDIC. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 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, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 197,603	11.15
Negotiable CD's	682,607	38.50
FHLB	421,256	23.76
U.S. government money market	<u>471,394</u>	<u>26.59</u>
 Total	 <u>\$ 1,772,860</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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,454,131
Investments	1,772,860
Cash on hand	<u>20</u>
Total	<u>\$ 7,227,011</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,166,117
Private-purpose trust fund	9,118
Agency fund	<u>51,776</u>
Total	<u>\$ 7,227,011</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2016 as reported on the fund statements include the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 45,482</u>

The purpose of amounts due to/from other funds is to cover negative cash balances in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 206,036</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.

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. Interfund balances at June 30, 2016 as reported on the fund statements include the following interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 990</u>

This interfund balance will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the statement of net position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$556,143 in the general fund, \$89,146 in the bond retirement fund (a nonmajor governmental fund), \$12,679 in the permanent improvement fund (a nonmajor governmental fund) and \$10,052 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$453,300 in the general fund, \$70,916 in the bond retirement fund (a nonmajor governmental fund), \$11,138 in the permanent improvement fund (a nonmajor governmental fund) and \$8,898 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, 2016 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.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 233,577,996	91.18	\$ 231,065,250	90.71
Public utility personal	<u>22,593,070</u>	<u>8.82</u>	<u>23,670,550</u>	<u>9.29</u>
Total	<u>\$ 256,171,066</u>	<u>100.00</u>	<u>\$ 254,735,800</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.00		\$33.10	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 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	\$ 5,907,386
Income taxes	810,090
Accounts	1,477
Intergovernmental	146,820
Accrued interest	<u>5,260</u>
Total	<u><u>\$ 6,871,033</u></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, January 1, 2014 and again May 1, 2015 and is in effect until December 31, 2019. 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 \$2,023,446 for fiscal year 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 421,922	\$ -	\$ -	\$ 421,922
Construction in progress	807,644	-	(807,644)	-
Total capital assets, not being depreciated	<u>1,229,566</u>	<u>-</u>	<u>(807,644)</u>	<u>421,922</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,281,468	-	-	2,281,468
Building and improvements	36,144,663	696,003	-	36,840,666
Furniture and equipment	3,430,792	197,783	(59,150)	3,569,425
Vehicles	2,191,462	84,817	(51,933)	2,224,346
Total capital assets, being depreciated	<u>44,048,385</u>	<u>978,603</u>	<u>(111,083)</u>	<u>44,915,905</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,640,821)	(84,020)	-	(1,724,841)
Building and improvements	(9,493,359)	(657,558)	-	(10,150,917)
Furniture and equipment	(2,559,950)	(173,238)	-	(2,733,188)
Vehicles	(1,647,689)	(68,314)	46,740	(1,669,263)
Total accumulated depreciation	<u>(15,341,819)</u>	<u>(983,130)</u>	<u>46,740</u>	<u>(16,278,209)</u>
Governmental activities capital assets, net	<u>\$ 29,936,132</u>	<u>\$ (4,527)</u>	<u>\$ (871,987)</u>	<u>\$ 29,059,618</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 522,782
Special	9,369
Vocational	34,632
<u>Support services:</u>	
Pupil	7,648
Instructional staff	115,655
Administration	20,476
Fiscal	227
Operations and maintenance	28,909
Pupil transportation	76,376
Extracurricular activities	93,406
Food service operations	<u>73,650</u>
Total depreciation expense	<u>\$ 983,130</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The District's governmental activities long-term obligations activity during fiscal year 2016 consisted of the following.

	<u>Balance</u> <u>06/30/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
2001 Series Issue:					
Current interest bonds	\$ 2,030,000	\$ -	\$ (465,000)	\$ 1,565,000	\$ 495,000
2007 Series Issue:					
Current interest bonds	4,035,000	-	(100,000)	3,935,000	100,000
Capital appreciation bonds	210,000	-	-	210,000	-
Accreted interest	427,060	103,331	-	530,391	-
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>7,982,060</u>	<u>103,331</u>	<u>(565,000)</u>	<u>7,520,391</u>	<u>595,000</u>
Capital lease obligation	<u>210,209</u>	<u>-</u>	<u>(210,209)</u>	<u>-</u>	<u>-</u>
Net pension liability	<u>18,292,979</u>	<u>2,411,443</u>	<u>-</u>	<u>20,704,422</u>	<u>-</u>
Compensated absences:					
Severance	837,059	147,407	(42,994)	941,472	37,914
Vacation leave	<u>159,855</u>	<u>168,259</u>	<u>(159,855)</u>	<u>168,259</u>	<u>168,259</u>
Total compensated absences	<u>996,914</u>	<u>315,666</u>	<u>(202,849)</u>	<u>1,109,731</u>	<u>206,173</u>
Total governmental activities long-term liabilities	<u>\$ 27,482,162</u>	<u>\$ 2,830,440</u>	<u>\$ (978,058)</u>	29,334,544	<u>\$ 801,173</u>
Add: unamortized premium				<u>350,124</u>	
Total on statement of net position				<u>\$ 29,684,668</u>	

Capital lease obligation: See Note 11 for details.

Net pension liability: See Note 14 for details.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- 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 Facilities Construction Commission (formerly the Ohio School Facilities Commission). These bonds will be paid from the bond retirement fund (a nonmajor governmental fund). And mature December 1, 2018.

Principal and interest requirements to retire the Series 2001 current interest bonds outstanding at June 30, 2016, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 495,000	\$ 75,756	\$ 570,756
2018	520,000	46,575	566,575
2019	<u>550,000</u>	<u>15,813</u>	<u>565,813</u>
Total	<u>\$ 1,565,000</u>	<u>\$ 138,144</u>	<u>\$ 1,703,144</u>

- C.** On January 14, 2008, the District issued \$5,245,000 in general obligation bonds (Series 2007 School Facilities Improvement Refunding Bonds) to advance refund \$5,570,000 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. As of June 30, 2016, the balance of the defeased bonds is \$1,535,000.

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 \$530,391 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 (a nonmajor governmental fund). The final maturity date stated on the current interest bonds is December 1, 2025.

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, 2016

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
2017	\$ 100,000	\$ 150,712	\$ 250,712	\$ -	\$ -	\$ -
2018	100,000	147,213	247,213	-	-	-
2019	100,000	143,712	243,712	-	-	-
2020	-	141,963	141,963	110,000	565,000	675,000
2021	-	141,962	141,962	100,000	570,000	670,000
2022 - 2026	<u>3,635,000</u>	<u>370,831</u>	<u>4,005,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,935,000</u>	<u>\$ 1,096,393</u>	<u>\$ 5,031,393</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
2016	\$ 85,334
2017	85,333
2018	85,333
2019	85,334
2020	85,333
2021	85,333
2022	85,334
2023	85,333
2024	85,333
2025	<u>85,334</u>
Total	<u>\$ 853,334</u>

At June 30, 2016, the District has reported restricted cash and restricted fund balance in the amount of \$514,271 for sinking fund deposits maintained in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016:

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2017	\$ -	\$ 69,120	\$ 69,120
2018	-	69,120	69,120
2019	-	69,120	69,120
2020	-	69,120	69,120
2021	-	69,120	69,120
2022 - 2025	<u>1,280,000</u>	<u>276,480</u>	<u>1,556,480</u>
Total	<u>\$ 1,280,000</u>	<u>\$ 622,080</u>	<u>\$ 1,902,080</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, 2016, are a voted debt margin of \$17,529,990 (including available funds of \$313,768), an unvoted debt margin of \$254,736, and an unvoted energy conservation debt margin of \$1,012,622.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capital leases for computer equipment and for school buses. These lease agreements meet 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, 2016

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

Capital assets consisting of school buses have been capitalized in the amount of \$411,000. This amount represents the fair market value of the school buses at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2016 was \$128,438, leaving a book value of \$282,562. Principal payments in fiscal year 2016 totaled \$137,245 paid by the general fund.

The computer equipment has not been capitalized as the individual assets do not meet the District's capitalization threshold. Principal payments in fiscal year 2016 totaled \$72,964 paid by the general fund.

The District fulfilled its obligation for the school buses and computer equipment leases in fiscal year 2016.

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 employee's salaries.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 2016, the District purchased insurance through the McGowan Governmental Underwriters (the "MGU"), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by MGU are as follows:

Total policy coverage - includes the following:		
Building and Contents (\$1,000 deductible)		\$48,308,886
Computer Equipment		500,000
Extra Expense and Tuition		500,000
Music Equipment and Band Uniforms		100,000
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 2016, the District cost for paid premium for medical and dental was \$1,049.24 and \$50.00 for family coverage and \$471.94 and \$40.00 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at 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, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$330,502 for fiscal year 2016. Of this amount, \$25,727 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$904,728 for fiscal year 2016. Of this amount, \$151,960 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 4,173,936	\$ 16,530,486	\$ 20,704,422
Proportion of the net pension liability	0.07314870%	0.05981272%	
Pension expense	\$ 319,139	\$ 714,626	\$ 1,033,765

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 66,029	\$ 755,311	\$ 821,340
Changes in proportionate share	149,383	-	149,383
District contributions subsequent to the measurement date	<u>330,502</u>	<u>904,728</u>	<u>1,235,230</u>
Total deferred outflows of resources	<u>\$ 545,914</u>	<u>\$ 1,660,039</u>	<u>\$ 2,205,953</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 114,303	\$ 1,222,093	\$ 1,336,396
Changes in proportionate share	<u>-</u>	<u>225,250</u>	<u>225,250</u>
Total deferred inflows of resources	<u>\$ 114,303</u>	<u>\$ 1,447,343</u>	<u>\$ 1,561,646</u>

\$1,235,230 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ 5,003	\$ (335,100)	\$ (330,097)
2018	5,003	(335,100)	(330,097)
2019	5,001	(335,099)	(330,098)
2020	86,102	313,267	399,369
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 101,109</u>	<u>\$ (692,032)</u>	<u>\$ (590,923)</u>

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 5,787,749	\$ 4,173,936	\$ 2,814,972

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 22,962,092	\$ 16,530,486	\$ 11,091,604

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$38,137.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$38,137, \$52,542, and \$41,396, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - POSTEMPLOYMENT BENEFITS

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$63,904, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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);
- (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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ 815,127
Net adjustment for revenue accruals	64,756
Net adjustment for expenditure accruals	403,015
Net adjustment for other sources/uses	(51,500)
Funds budgeted elsewhere *	2,019
Adjustment for encumbrances	385,960
GAAP basis	\$ 1,619,377

* 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.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. There were three adjustments to Foundation revenue. The first adjustment was \$4,883, which is recorded as an intergovernmental receivable on the statement of net position. The second adjustment was \$44,288, which is recorded as an intergovernmental payable on the statement of net position. The third adjustment was \$5,025, which is recorded as an intergovernmental payable on the statement of net position. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the final financial statement impact is not determinable at this time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2015	\$ -
Current year set-aside requirement	289,049
Current year qualifying expenditures	(1,180,927)
Current year offsets	<u>(248,117)</u>
Total	<u>\$ (1,139,995)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

A schedule of the restricted assets at June 30, 2016 follows:

Amount restricted for debt service	\$ <u>514,271</u>
Total restricted cash	<u>\$ 514,271</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>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 353,906
Other governmental	<u>45,315</u>
Total	<u>\$ 399,221</u>

NOTE 20 – SUBSEQUENT EVENT

The District entered into a capital lease for school buses on August 5, 2016 for \$429,850. The District is to make yearly payments of \$147,148 to fulfill the capital lease obligation. The lease obligation matures September 10, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.07314870%	0.06925400%	0.06925400%
District's proportionate share of the net pension liability	\$ 4,173,936	\$ 3,504,906	\$ 4,118,313
District's covered-employee payroll	\$ 2,202,155	\$ 2,012,381	\$ 2,304,241
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	178.73%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05981272%	0.06079757%	0.06079757%
District's proportionate share of the net pension liability	\$ 16,530,486	\$ 14,788,073	\$ 17,615,456
District's covered-employee payroll	\$ 6,240,457	\$ 6,211,838	\$ 6,578,838
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	267.76%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 330,502	\$ 290,244	\$ 278,916	\$ 318,907
Contributions in relation to the contractually required contribution	<u>(330,502)</u>	<u>(290,244)</u>	<u>(278,916)</u>	<u>(318,907)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,360,729	\$ 2,202,155	\$ 2,012,381	\$ 2,304,241
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 302,050	\$ 309,723	\$ 378,083	\$ 257,702	\$ 243,951	\$ 253,504
<u>(302,050)</u>	<u>(309,723)</u>	<u>(378,083)</u>	<u>(257,702)</u>	<u>(243,951)</u>	<u>(253,504)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,245,725	\$ 2,463,986	\$ 2,792,341	\$ 2,618,923	\$ 2,484,226	\$ 2,373,633
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 904,728	\$ 873,664	\$ 807,539	\$ 855,249
Contributions in relation to the contractually required contribution	<u>(904,728)</u>	<u>(873,664)</u>	<u>(807,539)</u>	<u>(855,249)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,462,343	\$ 6,240,457	\$ 6,211,838	\$ 6,578,838
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 866,319	\$ 886,986	\$ 918,224	\$ 891,120	\$ 861,569	\$ 851,044
<u>(866,319)</u>	<u>(886,986)</u>	<u>(918,224)</u>	<u>(891,120)</u>	<u>(861,569)</u>	<u>(851,044)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,663,992	\$ 6,822,969	\$ 7,063,262	\$ 6,854,769	\$ 6,627,454	\$ 6,546,492
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2015. In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 41,279
Cash Assistance		
Federal Breakfast Program	10.553	185,338
National School Lunch Program	10.555	296,574
Total Child Nutrition Cluster		523,191
Total U.S. Department of Agriculture		523,191
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Education Agencies	84.010	235,479
Special Education Grants to States (IDEA Part B)	84.027	313,175
Title II-A Improving Teacher Quality	84.367	61,941
Total U.S. Department of Education		610,595
Total Expenditures of Federal Awards		\$ 1,133,786

The accompanying notes are an integral part of this schedule.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Fork Local School District's (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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.

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT 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, the major fund, and the aggregate remaining fund information of the North Fork Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2016, 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 21, 2017.

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*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275

www.ohioauditor.gov

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 21, 2017



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 THE UNIFORM GUIDANCE

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 (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

Opinion on the Major Federal Program

In our opinion, the North Fork Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

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

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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #10.553 & #10.555 Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**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
2 CFR § 200.515
JUNE 30, 2016
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

1. Eligibility Calculation

Finding Number	2016-001		
CFDA Title and Number	CFDA #10.553 & #10.555 Child Nutrition Cluster		
Federal Award Identification Number / Year	2016		
Federal Agency	US Department of Agriculture		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2015-002

Noncompliance

2 CFR § 400.1 gives regulatory effect to the United States Department of Agriculture (USDA) for 7 CFR § 245.6(c)(4) which states that 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 enters household income and number of household members to determine a student's classification for free, reduced, or full priced lunches.

Of the 60 free and reduced applications tested there was one instance where students were receiving reduced price lunches when they should have been receiving free lunches. The income level on the application did not exceed the federal eligibility limit for free lunches. The Food Service Supervisor incorrectly entered income information into the system.

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.

Officials' Response:

See Corrective Action Plan

**NORTH FORK LSD
LICKING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting	Corrective Action Taken and Finding is Fully Corrected	
2015-002 and 2014-001	7 CFR 245.6(c)(4) Nutrition Cluster – Eligibility Calculation	Not Corrected	Reissued as Finding 2016-001, see Corrective Action Plan

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	<p>July 1, 2014, the District began using LUNCHAPP.COM a federally approved, on-line free and reduced application system. A majority of free/reduced lunch applications were uploaded through this system. Between using this and the new Meal Magic food service software system which automatically calculates household income, the human error in this area should be reduced. The Coordinator of District Services will spend more time ensuring the accuracy of the information prior to completing the applications in the system.</p>	January 31, 2017	Allan Fordham, Coordinator of District Services



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
MARCH 14, 2017**