



**Auditor of State
Betty Montgomery**

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

North Fork Local School District
Licking County
P.O. Box 497
Utica, Ohio 43080-0497

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each 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, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Fork Local School District, as of June 30, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

January 18, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities increased \$314,517 which represents a 6.83% increase from 2003.
- General revenues accounted for \$13,188,060 in revenue or 86.18% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,115,060 or 13.82% of total revenues of \$15,303,120.
- The District had \$14,988,603 in expenses related to governmental activities; only \$2,115,060 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 \$13,188,060 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund, and building fund. The general fund had \$12,503,481 in revenues and other financing sources and \$12,576,778 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$73,297 from \$654,408 to \$581,111.
- The debt service fund had revenues of \$893,922 and expenditures of \$839,379. The debt service fund's fund balance increased \$54,543 from \$245,032 to \$299,575.
- The building fund had revenues of \$3,296 and expenditures of \$1,710,380. The building fund's fund balance decreased \$1,707,084 from \$2,448,373 to \$741,289.

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 Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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, debt service fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets 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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, 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 assets* and changes in those assets. This change in net assets 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 Assets and the 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 assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the debt service fund and the building 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 Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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 Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 22-47 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 7,206,405	\$ 9,650,816
Capital assets, net	14,863,136	12,939,069
Total assets	22,069,541	22,589,885
<u>Liabilities</u>		
Current liabilities	5,490,341	6,112,303
Long-term liabilities	11,657,973	11,870,872
Total liabilities	17,148,314	17,983,175
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,088,136	3,328,044
Restricted	1,103,320	2,801,659
Unrestricted	(270,229)	(1,522,993)
Total net assets	\$ 4,921,227	\$ 4,606,710

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$4,921,227. At fiscal year-end, restricted net assets were \$1,103,320.

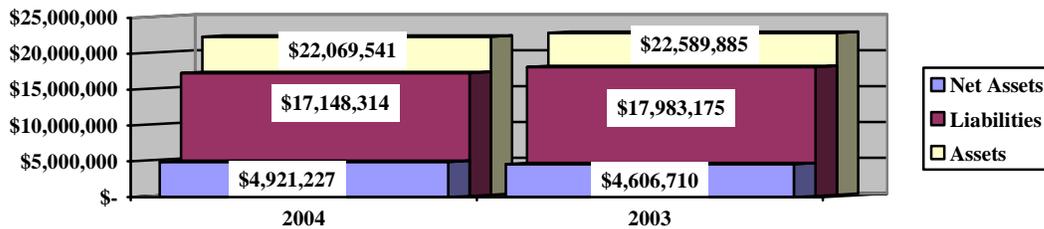
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

At year-end, capital assets represented 67.35% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$4,088,136. 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 assets, \$1,103,320, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$270,229.

Governmental Activities



The table below shows the change in net assets for fiscal years 2004 and 2003.

Change in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,056,235	\$ 1,067,385
Operating grants and contributions	1,021,700	762,702
Capital grants and contributions	37,125	42,989
General revenues:		
Property taxes	4,296,598	4,059,180
Grants and entitlements	8,780,911	8,377,330
Investment earnings	31,050	238,721
Gain on sale of assets	3,281	-
Other	76,220	2,997
Total revenues	15,303,120	14,551,304

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	5,274,377	5,017,796
Special	1,734,318	1,665,881
Vocational	220,589	238,038
Other	286,459	112,771
Support services:		
Pupil	1,161,849	1,121,841
Instructional staff	478,730	297,620
Board of education	40,395	17,556
Administration	1,280,979	1,174,643
Fiscal	396,715	361,608
Operations and maintenance	926,618	1,006,633
Pupil transportation	1,096,843	1,058,216
Central	201,170	119,442
Extracurricular activities	673,495	597,532
Food service operations	651,728	570,114
Interest and fiscal charges	<u>564,338</u>	<u>573,704</u>
Total expenses	<u>14,988,603</u>	<u>13,933,395</u>
Change in net assets	<u>\$ 314,517</u>	<u>\$ 617,909</u>

Governmental Activities

Net assets of the District's governmental activities increased \$314,517. Total governmental expenses of \$14,988,603 were offset by program revenues of \$2,115,060 and general revenues of \$13,188,060. Program revenues supported 14.11% of the total governmental expenses.

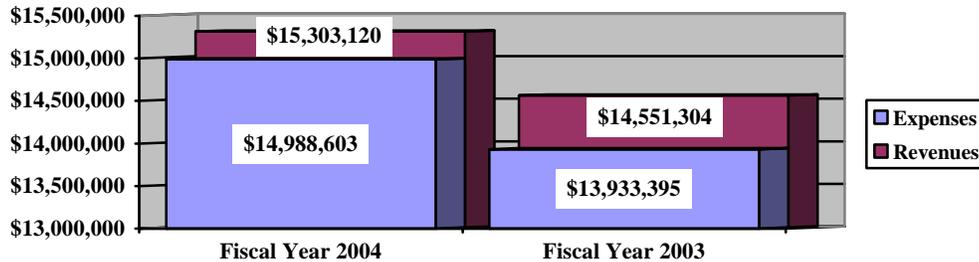
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 85.46% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

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

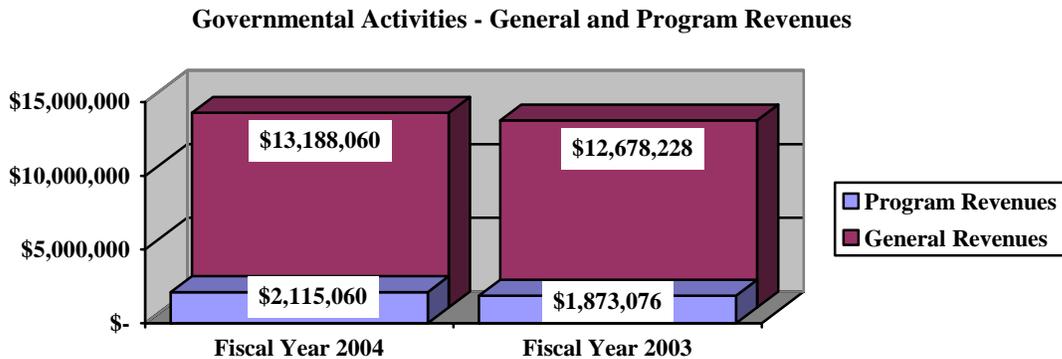
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses				
Instruction:				
Regular	\$ 5,274,377	\$ 4,556,605	\$ 5,017,796	\$ 4,490,112
Special	1,734,318	1,525,965	1,665,881	1,281,195
Vocational	220,589	218,149	238,038	238,038
Other	286,459	244,194	112,771	108,171
Support services:				
Pupil	1,161,849	1,155,697	1,121,841	1,098,609
Instructional staff	478,730	202,368	297,620	211,364
Board of education	40,395	40,395	17,556	17,556
Administration	1,280,979	1,248,266	1,174,643	1,155,146
Fiscal	396,715	396,715	361,608	361,608
Operations and maintenance	926,618	926,618	1,006,633	1,006,633
Pupil transportation	1,096,843	1,096,843	1,058,216	1,015,227
Central	201,170	194,443	119,442	112,552
Extracurricular activities	673,495	327,809	597,532	300,006
Food service operations	651,728	175,138	570,114	90,398
Interest and fiscal charges	564,338	564,338	573,704	573,704
Total expenses	\$ 14,988,603	\$ 12,873,543	\$ 13,933,395	\$ 12,060,319

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The dependence upon tax and other general revenues for governmental activities is apparent, 87.08% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.89%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,439,995, which is less than last year's total of \$3,344,349. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>
General	\$ 581,111	\$ 654,408	\$ (73,297)
Debt Service	299,575	245,032	54,543
Building	741,289	2,448,373	(1,707,084)
Other Governmental	<u>(181,980)</u>	<u>(3,464)</u>	<u>(178,516)</u>
Total	<u>\$ 1,439,995</u>	<u>\$ 3,344,349</u>	<u>\$ (1,904,354)</u>

General Fund

The District's general fund balance decreased \$73,297. The decrease in fund balance can be attributed to increases in expenditures outpacing increases in revenues and transfers to other funds in the amount of \$240,832. 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, 2004
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,300,136	\$ 3,085,501	6.96 %
Tuition	427,793	393,140	8.81 %
Earnings on investments	24,052	57,662	(58.29) %
Intergovernmental	8,654,559	8,304,893	4.21 %
Other revenues	<u>80,633</u>	<u>5,270</u>	1,430.04 %
 Total	 <u>\$ 12,487,173</u>	 <u>\$ 11,846,466</u>	 5.41 %
<u>Expenditures</u>			
Instruction	\$ 6,648,538	\$ 6,356,536	4.59 %
Support services	5,397,125	4,734,463	14.00 %
Extracurricular activities	288,883	280,301	3.06 %
Facilities acquisition and construction	1,400	-	100.00 %
Debt service	<u>-</u>	<u>15,862</u>	(100.00) %
 Total	 <u>\$ 12,335,946</u>	 <u>\$ 11,387,162</u>	 8.33 %

Debt Service Fund

The District's debt service fund balance increased \$54,543. The increase in fund balance can be attributed to increases in property tax revenue.

Building Fund

The District's building fund balance decreased by \$1,707,084. The decrease in fund balance can be attributed to the addition project during 2004.

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 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$13,122,712, which is higher than the original budgeted revenues estimate of \$8,829,181. Actual revenues and other financing sources for fiscal 2004 was \$13,122,920, which approximates the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,568,966 were increased to \$13,298,008 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$13,255,259, which was \$42,749 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$14,863,136 invested in land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 233,190	\$ 168,190
Construction-in-progress	-	9,611,024
Land improvements	431,184	426,211
Building and improvements	11,966,598	1,299,660
Furniture and equipment	1,419,132	660,970
Vehicles	813,032	773,014
Total	\$ 14,863,136	\$ 12,939,069

The overall increase in capital assets of \$1,924,067 is primarily due to capital outlays of \$2,406,802 exceeding disposals of \$13,027 (net of accumulated depreciation) and depreciation expense of \$469,708 in 2004.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had \$10,775,000 in general obligation bonds outstanding. Of this total, \$290,000 is due within one year and \$10,485,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2004	2003
General obligation bonds	\$ 10,775,000	\$ 11,035,000

In 2001, the District issued \$11,400,000 in School Improvement general obligation bonds for constructing additions to the existing school buildings and structures. A portion of the project was funded by the classroom facility grant established by the State of Ohio.

At June 30, 2004, the District's overall legal debt margin was \$4,883,832 with an unvoted debt margin of \$170,658.

See Note 9 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, 2004
UNAUDITED**

Current Financial Related Activities

The District relies heavily upon the state foundation program and property taxes for its operating funds. Over the past three years, the District has benefited significantly from the revised state foundation formula. The greatest benefit has come from parity aide and the surcharge supplement. The District is also beginning to experience modest growth in its ADM and property values and is currently operating at the 20 mil floor.

Parity aide is expected to increase approximately \$200,000 per year through fiscal year 2006. Although the District expects to see continued growth in property taxes, any growth over the next two to three years will be offset by a decline in the state foundation surcharge supplement.

After fiscal year 2006, it is not expected that there will be any significant increases in revenue, which will likely 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 and the potential unfunded costs of federally mandated educational programs.

Another challenge facing the District is the completion of the various construction projects undertaken through the Ohio School Facilities Commission (OSFC). Approximately \$37.5 million in new schools and renovations are scheduled under the OSFC project. The District has completed construction of a 75,500 square foot addition to its existing high school building. This facility will serve as the District's high school and represents the local contribution (29%) to the OSFC approved construction plan.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,317,810
Investments	152,203
Receivables:	
Taxes	4,451,225
Accounts	3,002
Intergovernmental	263,112
Accrued interest	12,511
Materials and supplies inventory	6,542
Capital assets:	
Land and construction-in-progress	233,190
Depreciable capital assets, net	14,629,946
Total capital assets, net	14,863,136
 Total assets.	 22,069,541
 Liabilities:	
Accounts payable.	53,127
Accrued wages and benefits	1,133,285
Pension obligation payable.	330,878
Intergovernmental payable	69,152
Deferred revenue	3,857,205
Accrued interest payable	46,694
Long-term liabilities:	
Due within one year.	376,002
Due in more than one year	11,281,971
Total liabilities	17,148,314
 Net Assets:	
Invested in capital assets, net	
of related debt.	4,088,136
Restricted for:	
Debt service.	284,314
Capital projects	819,006
Unrestricted.	(270,229)
Total net assets	\$ 4,921,227

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, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,274,377	\$ 487,946	\$ 229,826	\$ -	\$ (4,556,605)
Special	1,734,318	-	208,353	-	(1,525,965)
Vocational	220,589	-	2,440	-	(218,149)
Other	286,459	-	5,140	37,125	(244,194)
Support services:					
Pupil	1,161,849	-	6,152	-	(1,155,697)
Instructional staff	478,730	-	276,362	-	(202,368)
Board of education	40,395	-	-	-	(40,395)
Administration	1,280,979	-	32,713	-	(1,248,266)
Fiscal	396,715	-	-	-	(396,715)
Operations and maintenance	926,618	-	-	-	(926,618)
Pupil transportation	1,096,843	-	-	-	(1,096,843)
Central	201,170	-	6,727	-	(194,443)
Extracurricular activities	673,495	248,314	97,372	-	(327,809)
Food service operations	651,728	319,975	156,615	-	(175,138)
Interest and fiscal charges	564,338	-	-	-	(564,338)
Totals	\$ 14,988,603	\$ 1,056,235	\$ 1,021,700	\$ 37,125	(12,873,543)

General Revenues:

Property taxes levied for:	
General purposes	3,314,088
Debt service	821,819
Capital projects	160,691
Grants and entitlements not restricted to specific programs	8,780,911
Investment earnings	31,050
Gain on sale of assets	3,281
Miscellaneous	76,220
Total general revenues	13,188,060
Change in net assets	314,517
Net assets at beginning of year	4,606,710
Net assets at end of year	\$ 4,921,227

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents.	\$ 1,304,637	\$ 217,275	\$ 589,241	\$ 157,364	\$ 2,268,517
Investments.	-	-	152,203	-	152,203
Receivables:					
Taxes	3,446,461	816,428	-	188,336	4,451,225
Accounts	460	-	-	2,542	3,002
Intergovernmental.	-	-	-	263,112	263,112
Accrued interest.	12,078	-	433	-	12,511
Interfund loans	229,525	-	-	-	229,525
Materials and supplies inventory.	-	-	-	6,542	6,542
Restricted assets:					
Equity in pooled cash and cash equivalents.	49,293	-	-	-	49,293
Total assets	<u>\$ 5,042,454</u>	<u>\$ 1,033,703</u>	<u>\$ 741,877</u>	<u>\$ 617,896</u>	<u>\$ 7,435,930</u>
Liabilities:					
Accounts payable	\$ 45,106	\$ -	\$ 155	\$ 7,866	\$ 53,127
Accrued wages and benefits	1,007,664	-	-	125,621	1,133,285
Compensated absences payable	37,756	-	-	-	37,756
Pension obligation payable.	174,122	-	-	17,642	191,764
Intergovernmental payable	62,756	-	-	6,396	69,152
Interfund loan payable	-	-	-	229,525	229,525
Deferred revenue	3,133,939	734,128	433	412,826	4,281,326
Total liabilities	<u>4,461,343</u>	<u>734,128</u>	<u>588</u>	<u>799,876</u>	<u>5,995,935</u>
Fund Balances:					
Reserved for encumbrances.	163,459	-	144,702	37,963	346,124
Reserved for materials and supplies inventory	-	-	-	6,542	6,542
Reserved for property tax unavailable for appropriation.	324,600	82,300	-	18,100	425,000
Reserved for debt service.	-	217,275	-	-	217,275
Reserved for budget stabilization.	49,293	-	-	-	49,293
Unreserved, undesignated (deficit), reported in:					
General fund.	43,759	-	-	-	43,759
Special revenue funds	-	-	-	(277,975)	(277,975)
Capital projects funds	-	-	596,587	33,390	629,977
Total fund balances.	<u>581,111</u>	<u>299,575</u>	<u>741,289</u>	<u>(181,980)</u>	<u>1,439,995</u>
Total liabilities and fund balances	<u>\$ 5,042,454</u>	<u>\$ 1,033,703</u>	<u>\$ 741,877</u>	<u>\$ 617,896</u>	<u>\$ 7,435,930</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 ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	1,439,995
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,863,136
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	169,020	
Intergovernmental revenue		242,590	
Interest revenue		12,511	
Total			424,121
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		10,775,000	
Compensated absences		845,217	
Pension obligation payable		139,114	
Accrued interest payable		46,694	
Total			(11,806,025)
Net assets of governmental activities		\$	4,921,227

**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, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 3,300,136	\$ 796,890	\$ -	\$ 182,855	\$ 4,279,881
Tuition.	427,793	-	-	-	427,793
Charges for services.	-	-	-	319,975	319,975
Earnings on investments	24,052	-	3,296	890	28,238
Extracurricular.	-	-	-	248,590	248,590
Classroom materials and fees	168	-	-	55,464	55,632
Other local revenues	80,465	-	-	106,042	186,507
Intergovernmental - State	8,654,559	97,032	-	108,867	8,860,458
Intergovernmental - Federal.	-	-	-	768,839	768,839
Total revenues.	12,487,173	893,922	3,296	1,791,522	15,175,913
Expenditures:					
Current:					
Instruction:					
Regular	4,793,387	-	-	347,661	5,141,048
Special.	1,406,954	-	-	319,514	1,726,468
Vocational.	207,137	-	-	1,801	208,938
Other	241,060	-	-	43,234	284,294
Support Services:					
Pupil.	1,117,503	-	-	43,364	1,160,867
Instructional staff	186,605	-	-	280,083	466,688
Board of education	40,395	-	-	-	40,395
Administration.	1,244,593	-	-	32,228	1,276,821
Fiscal	371,036	14,239	-	2,938	388,213
Operations and maintenance.	1,234,842	-	-	14,008	1,248,850
Pupil transportation	1,006,519	-	-	144,296	1,150,815
Central.	195,632	-	-	6,400	202,032
Food service operations	-	-	-	622,064	622,064
Extracurricular activities.	288,883	-	-	342,863	631,746
Facilities acquisition and construction	1,400	-	1,710,380	13,150	1,724,930
Debt service:					
Principal retirement	-	260,000	-	-	260,000
Interest and fiscal charges	-	565,140	-	-	565,140
Total expenditures	12,335,946	839,379	1,710,380	2,213,604	17,099,309
Excess of revenues over (under) expenditures	151,227	54,543	(1,707,084)	(422,082)	(1,923,396)
Other financing sources (uses):					
Transfers in	-	-	-	240,832	240,832
Transfers (out)	(240,832)	-	-	-	(240,832)
Proceeds from sale of capital assets.	16,308	-	-	-	16,308
Total other financing sources (uses)	(224,524)	-	-	240,832	16,308
Net change in fund balances	(73,297)	54,543	(1,707,084)	(181,250)	(1,907,088)
Fund balances (deficits) at					
beginning of year	654,408	245,032	2,448,373	(3,464)	3,344,349
Increase in reserve for inventory.	-	-	-	2,734	2,734
Fund balances (deficits) at end of year.	\$ 581,111	\$ 299,575	\$ 741,289	\$ (181,980)	\$ 1,439,995

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, 2004

Net change in fund balances - total governmental funds	\$	(1,907,088)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, on the statement of activities, the cost of those assets is allocated over estimated useful lives as depreciation expense. This is the amount by capital outlays (\$2,406,802) exceeded depreciation expense (\$469,708) in the current period.		1,937,094
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(13,027)
Governmental funds report expenditures for inventory when purchased, however, on the statement of activities they are reported as an expense when consumed.		2,734
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		123,926
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		260,000
On the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		802
Some expenses reported on the statement of activities, such as compensated absences and pension obligations do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(89,924)
		(89,924)
Change in net assets of governmental activities	\$	314,517

**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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,125,423	\$ 3,248,937	\$ 3,248,937	\$ -
Tuition.	279,859	427,794	427,794	-
Earnings on investments.	30,738	46,987	47,197	210
Classroom materials and fees	-	-	168	168
Other local revenues.	24,597	37,599	37,429	(170)
Intergovernmental - state	5,661,727	8,654,558	8,654,558	-
Total revenue	<u>8,122,344</u>	<u>12,415,875</u>	<u>12,416,083</u>	<u>208</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,619,830	4,895,689	4,888,412	7,277
Special.	1,332,469	1,415,680	1,409,935	5,745
Vocational.	194,235	206,688	205,527	1,161
Other	217,066	231,597	229,685	1,912
Support Services:				
Pupil.	1,057,718	1,119,695	1,119,210	485
Instructional staff	189,310	200,825	200,316	509
Board of education	36,065	38,235	38,162	73
Administration.	1,209,692	1,282,865	1,280,019	2,846
Fiscal	351,190	371,960	371,607	353
Operations and maintenance.	1,181,842	1,263,817	1,250,550	13,267
Pupil transportation	952,282	1,016,549	1,007,644	8,905
Central.	181,834	192,494	192,405	89
Extracurricular activities.	279,981	296,385	296,258	127
Facilities acquisition and construction	1,323	1,400	1,400	-
Total expenditures	<u>11,804,837</u>	<u>12,533,879</u>	<u>12,491,130</u>	<u>42,749</u>
Excess of revenues over (under) expenditures.	<u>(3,682,493)</u>	<u>(118,004)</u>	<u>(75,047)</u>	<u>42,957</u>
Other financing sources (uses):				
Refund of prior year expenditure	43,987	43,987	43,987	-
Transfers in	-	-	-	-
Transfers (out)	(240,832)	(240,832)	(240,832)	-
Advances in.	493,735	493,735	493,735	-
Advances (out)	(370,540)	(370,540)	(370,540)	-
Proceeds from sale of capital assets.	16,358	16,358	16,358	-
Total other financing sources (uses)	<u>(57,292)</u>	<u>(57,292)</u>	<u>(57,292)</u>	<u>-</u>
Net change in fund balance	(3,739,785)	(175,296)	(132,339)	42,957
Fund balance at beginning of year	1,144,016	1,144,016	1,144,016	-
Prior year encumbrances appropriated	157,360	157,360	157,360	-
Fund balance at end of year	<u>\$ (2,438,409)</u>	<u>\$ 1,126,080</u>	<u>\$ 1,169,037</u>	<u>\$ 42,957</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,421	\$ 49,745
Receivables:		
Accounts	-	40
	7,421	40
Total assets	7,421	\$ 49,785
Liabilities:		
Accounts payable	-	\$ 10,469
Due to students	-	39,316
	-	39,316
Total liabilities	-	\$ 49,785
Net Assets:		
Held in trust for scholarships	7,421	
Total net assets	\$ 7,421	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 74
Gifts and contributions	2,834
	2,908
Total additions	2,908
Deductions:	
Scholarships awarded	1,000
	1,908
Change in net assets	1,908
Net assets at beginning of year	5,513
Net assets at end of year	\$ 7,421

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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. The District is the 296th largest in the state of Ohio among 613 districts in terms of enrollment. It is staffed by 109 classified employees, 129 certificated full-time teaching personnel and 16 administrative employees who provide services to 1,908 students and other community members. The District currently operates 5 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The 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". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. 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 organizations' 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 organizations 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; (4) or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

A. Reporting Entity – (Continued)

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.

Metropolitan Educational Council

The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is comprised of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is comprised of either the superintendent, a designated representative or a member of the Board of Education for each participating school district in Franklin County (18 school districts) and one representative from each County. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. Financial information may be obtained from the Metropolitan Education Council, Denise Canfield, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The North Fork Local School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the District for its participation in the projects. The District has one representative on the governing board. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, OH 43214.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

A. Reporting Entity – (Continued)

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the repayment of debt.

Building Fund - The Building capital projects fund is used to account for the accumulation of resources used for facility improvements other than those accounted for in other funds.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

B. Fund Accounting – (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. 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 assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The 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 all liabilities associated with the operation of the District are included on the statement of net assets.

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

C. Basis of Presentation and Measurement Focus – (Continued)

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 Non-exchange 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, 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 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, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

D. Basis of Accounting – (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 express 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.

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 Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, 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 Treasurer.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

E. Budgets – (Continued)

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

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 any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary 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 Cash Equivalents" on 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, 2004**

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

F. Cash and Investments – (Continued)

During fiscal year 2004, investments were limited to overnight repurchase agreements, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. 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 share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2004 amounted to \$24,052, which includes \$4,618 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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 assets but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

H. Capital Assets – (Continued)

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>	Governmental Activities <u>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 receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability 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. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 severance on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age at least sixty years of age regardless of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

J. Compensated Absences – (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property taxes unavailable for appropriation, debt service and budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Net Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 the amount required by state statute to be set-aside for budget stabilization. See Note 16 for additional information regarding set-asides.

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service	\$ 12,227
Other Grants	4,328
Ohio Reads	44,762
Miscellaneous State Grants	900
Title VI-B	50,324
Title I	47,674
Title VI	10,815
Title VI-R	16,123
Miscellaneous Federal Grants	144,891

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities which will be funded by future revenues.

Compliance

The School District had deficit cash balances in the following funds various times throughout the year, which is contrary to section Ohio Rev. Code Section 5705.10.

Fund	Negative Fund Balance
003 – Permanent Improvement Fund	(\$39,723)
006 – Food Service Fund	(\$81,594)
009 – Uniform School Supplies	(\$40,248)
200 – High School FFA	(\$13,390)
459 – Ohio Reads	(\$22,591)
516 – Title II – Idea B FY 04	(\$159,589)
516 – Title II – Idea B FY 03	(\$17,113)
516 – Exceptional Needs	(\$14,266)
572 – Title I - FY 04	(\$125,505)
599 – Physical Education (PEP) FY 04	(\$134,767)
590 – Improving Teacher Quality	(\$25,550)

Also, contrary to Ohio Rev. Code Section 5705.41 (D) the District did not always properly certify that the amount required to meet a commitment was lawfully appropriated and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance for a portion of their 2004 expenditures.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 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 accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At fiscal year-end, the District had \$20 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$873,809 and the bank balance was \$965,332. Of the bank balance \$885,332 was covered by federal depository insurance and \$80,000 was uninsured and uncollateralized.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$ -	\$ 72,807	\$ 72,807	\$ 72,807
Federal agency securities	<u>1,182,721</u>	<u>-</u>	1,182,721	1,182,721
Total	<u>\$ 1,182,721</u>	<u>\$ 72,807</u>		
Investment in STAR Ohio			<u>397,822</u>	<u>397,822</u>
Total investments			<u>\$ 1,653,350</u>	<u>\$ 1,653,350</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,374,976	\$ 152,203
Investments of the cash management pool:		
Repurchase agreements	(72,807)	72,807
Investment in STAR Ohio	(397,822)	397,822
Federal securities	(1,030,518)	1,030,518
Cash on hand	<u>(20)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 873,809</u>	<u>\$ 1,653,350</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 229,525

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	<u>\$ 240,832</u>
Total transfers	<u>\$ 240,832</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.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Licking and Knox Counties. The County Auditors periodically advance to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available as an advance at June 30, 2004 was \$324,600 in the general fund, \$82,300 in the debt service fund, and \$18,100 in the Permanent Improvement capital projects fund. The amount that was available as advance at June 30, 2003 was \$273,000 in the general fund, \$66,400 in the debt service fund, and \$15,200 in the Permanent Improvement capital projects fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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 revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 146,361,560	88.08	\$ 150,255,080	88.05
Public Utility Personal	14,711,880	8.85	14,712,420	8.62
Tangible Personal Property	<u>5,104,802</u>	<u>3.07</u>	<u>5,690,909</u>	<u>3.33</u>
Total	<u>\$ 166,178,242</u>	<u>100.00</u>	<u>\$ 170,658,409</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.79		\$ 35.29	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of 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 assets follows:

Governmental Activities	
Property taxes	\$ 4,451,225
Accounts	3,002
Accrued interest	12,511
Intergovernmental	<u>263,112</u>
Total	<u>\$ 4,729,850</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 168,190	\$ 65,000	\$ -	\$ 233,190
Construction-in-progress	<u>9,611,024</u>	<u>-</u>	<u>(9,611,024)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>9,779,214</u>	<u>65,000</u>	<u>(9,611,024)</u>	<u>233,190</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	483,939	34,212	-	518,151
Building and improvements	3,857,635	10,843,508	-	14,701,143
Furniture and equipment	2,286,986	891,656	-	3,178,642
Vehicles	<u>1,403,170</u>	<u>183,450</u>	<u>(79,277)</u>	<u>1,507,343</u>
Total capital assets, being depreciated	<u>8,031,730</u>	<u>11,952,826</u>	<u>(79,277)</u>	<u>19,905,279</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(57,728)	(29,239)	-	(86,967)
Building and improvements	(2,557,975)	(176,570)	-	(2,734,545)
Furniture and equipment	(1,626,016)	(133,494)	-	(1,759,510)
Vehicles	<u>(630,156)</u>	<u>(130,405)</u>	<u>66,250</u>	<u>(694,311)</u>
Total accumulated depreciation	<u>(4,871,875)</u>	<u>(469,708)</u>	<u>66,250</u>	<u>(5,275,333)</u>
Governmental activities capital assets, net	<u>\$ 12,939,069</u>	<u>\$ 11,548,118</u>	<u>\$(9,624,051)</u>	<u>\$ 14,863,136</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 202,865
Special	3,936
Vocational	11,962
Other	15,793
<u>Support Services:</u>	
Pupil	3,351
Instructional staff	3,446
Administration	7,464
Fiscal	1,163
Operations and maintenance	28,139
Pupil transportation	126,338
Central	1,009
Extracurricular activities	36,561
Food service operations	<u>27,681</u>
Total depreciation expense	<u>\$ 469,708</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance 06/30/03	Increase	Decrease	Balance 06/30/04	Amount Due in One Year
Compensated absences	\$ 835,872	\$ 177,074	\$ (129,973)	\$ 882,973	\$ 86,002
General obligation bonds	11,035,000	-	(260,000)	10,775,000	290,000
Total	<u>\$11,870,872</u>	<u>\$ 177,074</u>	<u>\$ (389,973)</u>	<u>\$11,657,973</u>	<u>\$ 376,002</u>

Compensated absences will be paid from the fund from which the employee is paid.

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 will be used in conjunction with a classroom facility grant established by the State of Ohio and managed by the Ohio School Facilities Commission. These bonds will be paid from the debt service fund.

- B. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2004, are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 290,000	\$ 554,748	\$ 844,748
2006	300,000	543,240	843,240
2007	310,000	531,115	841,115
2008	325,000	518,171	843,171
2009	335,000	504,141	839,141
2010 - 2014	1,920,000	2,272,620	4,192,620
2015 - 2019	2,470,000	1,697,750	4,167,750
2020 - 2024	3,260,000	897,876	4,157,876
2025 - 2026	<u>1,565,000</u>	<u>87,312</u>	<u>1,652,312</u>
Total	<u>\$ 10,775,000</u>	<u>\$ 7,606,973</u>	<u>\$ 18,381,973</u>

C. 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 effects of these debt limitations at June 30, 2004 are a voted debt margin of \$4,883,832 (including available funds of \$299,575) and an unvoted debt margin of \$170,658.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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 2004, the District contracted with Utica National Insurance Group for property, electronic equipment, commercial articles, valuable papers, contractor equipment and crime insurance and through Nationwide Mutual Insurance for general liability insurance and fleet insurance. Coverages under these policies are as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Utica National Insurance	Building and Contents-replacement cost (\$1,000 deductible)	\$17,240,630
	Extra Special Expense (\$1,000 deductible)	250,000
	Inland Marine Coverage	
	Audio Visual Equipment (\$250 deductible)	50,000
	Musical Instruments (\$250 deductible)	50,000
	EDP Coverage (\$250 deductible)	418,000
	Valuable Papers and Records (\$100 deductible)	25,000
	Contractors Equipment (\$250 deductible)	50,000
	Transportation Coverage (\$1,000)	35,000
	Boiler and Machinery (\$1,000 deductible)	25,000,000
	Business Interruption/Extra Expense	6,250,000
	Spoilage (\$250 deductible)	25,000
	Crime Insurance (\$500 deductible)	5,000
	Nationwide Mutual Insurance	Automobile Liability (\$100 deductible)
Medical Payments		5,000
Uninsured Motorists (\$100 deductible)		500,000
General Liability		
Per occurrence		1,000,000
	Total per year	3,000,000
	Employee Benefit Liability (\$1,000 deductible)	500,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 - RISK MANAGEMENT

A. Comprehensive – (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last 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 2004, the District cost for paid premium for medical and dental was \$505.00 and \$45.00 for family coverage and \$394.46 and \$34.36 for single coverage, per month, respectively.

C. OSBA Group Workers' Compensation Group Rating Plan

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

A. School Employees Retirement System

The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$292,558, \$256,861, and \$238,404, respectively; 45% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$161,700, represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System – (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

The District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$817,806, \$799,827, and \$735,936, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$137,864 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$3,987 made by the District and \$4,059 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$58,415 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$138,864 during the 2004 fiscal year.

NOTE 14 - 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - 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:

	<u>General Fund</u>
Budget basis	\$ (132,339)
Net adjustment for revenue accruals	71,090
Net adjustment for expenditure accruals	(48,752)
Net adjustment for other sources/uses	(167,232)
Adjustment for encumbrances	203,936
GAAP basis	\$ (73,297)

NOTE 15 - 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 not a party to legal proceedings that would have a material effect on the financial condition of the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ (147,894)	\$ (9,227,724)	\$ 49,293
Current year set-aside requirement	255,702	255,702	-
Offsets	-	(179,955)	-
Qualifying disbursements	<u>(338,191)</u>	<u>(2,625,871)</u>	<u>-</u>
Total	<u>\$ (230,383)</u>	<u>\$(11,777,848)</u>	<u>\$ 49,293</u>
Balance carried forward to FY 2005	<u>\$ (230,383)</u>	<u>\$(11,777,848)</u>	<u>\$ 49,293</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional supplies and capital acquisition reserves, and these extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for budget stabilization	<u>\$ 49,293</u>
Total restricted assets	<u>\$ 49,293</u>

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**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$33,712	\$0	\$33,712
School Breakfast Program	05-PU-2004	10.553	15,856	0	15,856	0
National School Lunch Program	LL-P4-2004	10.555	<u>133,986</u>	<u>0</u>	<u>133,986</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluste			<u>149,842</u>	<u>33,712</u>	<u>149,842</u>	<u>33,712</u>
U.S. DEPARTMENT OF EDUCATION						
Carol M. White Physical Education Program	N/A	85.215F	0	0	136,965	0
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-2003/2004	84.010	473,703	0	302,030	0
Special Education Grants to States (IDEA Part B)	6B-SF-2003/2004	84.027	312,959	0	289,451	0
Safe and Drug Free Schools and Communities	DR-S1-2003/2004	84.186	3,051	0	2,715	0
Innovative Educational Porgram Strategies	C2-S1-2003/2004	84.298	18,126	0	20,699	0
Education Technology State Grants	TJ-S1-2003/2004	84.318	2,144	0	9,991	0
Improving Teacher Quality State Grants	TR-S1-2003/2004	84.367	138,734	0	94,401	0
Total Passed Through Ohio Department of Education			<u>948,717</u>	<u>0</u>	<u>719,287</u>	<u>0</u>
Total U.S. Department of Educator			<u>948,717</u>	<u>0</u>	<u>856,252</u>	<u>0</u>
Totals			<u>\$1,098,559</u>	<u>\$33,712</u>	<u>\$1,006,094</u>	<u>\$33,712</u>

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

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
FISCAL YEAR ENDED JUNE 30, 2004**

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

NOTE C -- MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

North Fork Local School District
Licking County
P.O. Box 497
Utica, Ohio 43080-0497

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-01 and 2004-02. We also noted certain immaterial instances of noncompliance, which we have reported to management of the District in a separate letter dated January 18, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated January 18, 2005.

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Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 18, 2005



Auditor of State Betty Montgomery

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

North Fork Local School District
Licking County
P.O. Box 497
Utica, Ohio 43080-0497

To the Board of Education:

Compliance

We have audited the compliance of North Fork Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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Internal Control Over Compliance (Continued)

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

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 18, 2005

SCHEDULE OF FINDINGS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2004**

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

SCHEDULE OF FINDINGS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2004
(Continued)**

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

Finding Number	2004-01
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Non-Compliance Citation - Negative Fund Balances

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance.

The District had several funds during the fiscal year that had negative fund balances indicating that money from one fund was used to cover the expenses of another fund. The following funds had significant negative fund balances in the District's accounting records at different points throughout the year:

Fund	Maximum Negative Fund Balance
003 – Permanent Improvement Fund	(\$39,723)
006 – Food Service Fund	(\$81,594)
009 – Uniform School Supplies	(\$40,248)
200 – High School FFA	(\$13,390)
459 – Ohio Reads	(\$22,591)
516 – Title II – Idea B FY 04	(\$159,589)
516 – Title II – Idea B FY 03	(\$17,113)
516 – Exceptional Needs	(\$14,266)
572 – Title I - FY 04	(\$125,505)
599 – Physical Education (PEP) FY 04	(\$134,767)
590 – Improving Teacher Quality	(\$25,550)

We recommend that the Treasurer review cash fund balances of all funds on a periodic basis. If advances or transfers from the General Fund are needed to cover cash flow problems, the Treasurer should seek a Board resolution to cover any cash shortfalls in a timely manner.

Finding Number	2004-02
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Non-Compliance Citation – Prior Certification

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

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

SCHEDULE OF FINDINGS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2004-02 (Continued)
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Non-Compliance Citation – Prior Certification (Continued)

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

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

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months) . The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District Treasurer did not properly certify the availability of funds prior to purchase commitment for 34% of the expenditures tested. Also, expenditures greater than \$3,000 applied to “Then and Now” certificates were not always approved by a Board resolution. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

SCHEDULE OF FINDINGS

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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 15, 2005