



**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010



Dave Yost • Auditor of State

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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 North Fork Local School District, Licking County, Ohio, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As discussed in Note 19 to the financial statements, the District has suffered recurring losses from operations and has a net asset deficit. Note 19 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 10, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$549,048 which represents a 2.14% decrease from 2009.
- General revenues accounted for \$15,194,657 in revenue or 80.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,568,928 or 19.02% of total revenues of \$18,763,585.
- The District had \$19,312,633 in expenses related to governmental activities; only \$3,568,928 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,194,657 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$15,159,538 in revenues and other financing sources and \$15,260,003 in expenditures and other financing uses. During fiscal 2010, the general fund's fund deficit balance increased \$100,465 from a deficit of \$853,095 to a deficit of \$953,560.
- The bond retirement fund had revenues of \$754,879 and expenditures of \$849,337. The bond retirement fund's fund balance decreased \$94,458 from \$418,674 to \$324,216.
- The classroom facilities fund had revenues of \$1,061 and expenditures of \$22,756. The classroom facilities fund's fund balance decreased \$21,695 from \$1,583,201 to \$1,561,506.

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, bond retirement fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010?" The statement of net assets and 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 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, bond retirement fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 22-51 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 at June 30, 2010 and June 30, 2009. The net assets at June 30, 2009 have been restated as described in Note 3.C.

	Net Assets	
	Governmental Activities 2010	Restated Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 8,003,815	\$ 8,623,256
Capital assets, net	<u>33,505,657</u>	<u>34,182,436</u>
Total assets	<u>41,509,472</u>	<u>42,805,692</u>
<u>Liabilities</u>		
Current liabilities	6,371,785	6,700,096
Long-term liabilities	<u>10,075,540</u>	<u>10,494,401</u>
Total liabilities	<u>16,447,325</u>	<u>17,194,497</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	24,708,934	24,927,168
Restricted	2,469,062	2,905,935
Unrestricted (deficit)	<u>(2,115,849)</u>	<u>(2,221,908)</u>
Total net assets	<u>\$ 25,062,147</u>	<u>\$ 25,611,195</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$25,062,147. At fiscal year-end, restricted net assets were \$2,469,062.

At year-end, capital assets represented 80.72% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$24,708,934. 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.

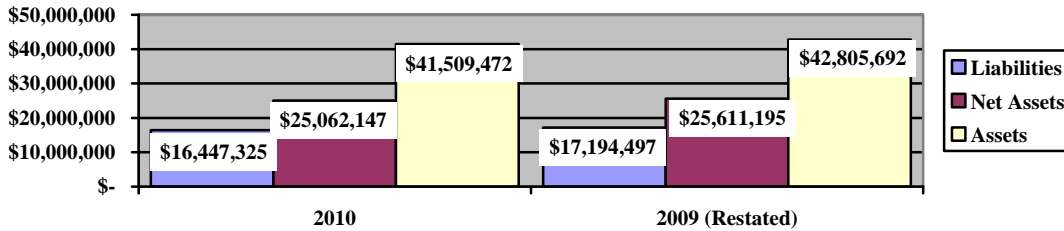
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

A portion of the District's net assets, \$2,469,062, 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 \$2,115,849.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2010 and June 30, 2009. The net assets at June 30, 2009 have been restated as described in Note 3.C.

Governmental Activities



The table below shows the change in net assets for fiscal years 2010 and 2009. The net assets at June 30, 2009 have been restated as described in Note 3.C.

Change in Net Assets

	Governmental Activities 2010	Restated Governmental Activities 2009
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,334,432	\$ 1,199,046
Operating grants and contributions	2,234,496	1,760,595
Capital grants and contributions	-	27,751
General revenues:		
Property taxes	4,061,125	4,385,899
School district income taxes	2,231,122	1,898,141
Grants and entitlements	8,821,035	8,043,417
Investment earnings	32,843	94,845
Decrease in FMV of investments	-	(43,152)
Other	48,532	214,790
Total revenues	<u>\$ 18,763,585</u>	<u>\$ 17,581,332</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	Governmental Activities 2010	Restated Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,286,649	\$ 6,328,291
Special	3,150,999	3,052,275
Vocational	300,679	317,228
Other	218,427	270,063
Support services:		
Pupil	1,461,609	1,447,835
Instructional staff	242,439	267,098
Board of education	46,616	32,359
Administration	1,391,696	1,361,176
Fiscal	477,180	489,184
Operations and maintenance	1,685,161	1,715,635
Pupil transportation	1,524,229	1,476,785
Central	508,580	419,590
Operation of non-instructional:		
Food service operations	797,479	888,136
Extracurricular activities	777,921	839,757
Interest and fiscal charges	442,969	440,569
	<u>19,312,633</u>	<u>19,345,981</u>
Total expenses		
Change in net assets	(549,048)	(1,764,649)
Net assets at beginning of year (restated)	<u>25,611,195</u>	<u>27,375,844</u>
Net assets at end of year	<u>\$ 25,062,147</u>	<u>\$ 25,611,195</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$549,048. Total governmental expenses of \$19,312,633 were offset by program revenues of \$3,568,928 and general revenues of \$15,194,657. Program revenues supported 18.48% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 80.55% of total governmental revenue.

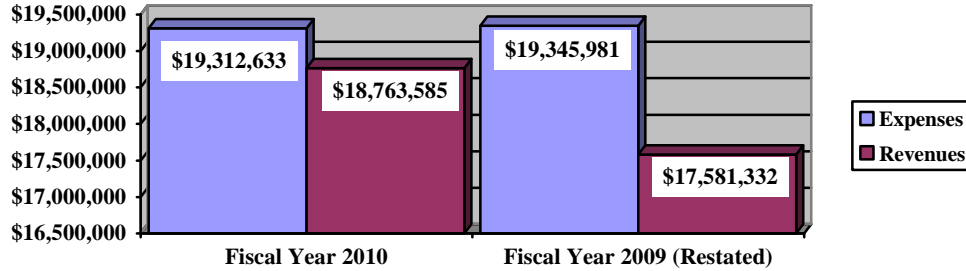
The largest expense of the District is for instructional programs. Instructional expenses totaled \$9,956,754 or 51.56% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

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 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 6,286,649	\$ 4,853,688	\$ 6,328,291	\$ 5,604,698
Special	3,150,999	2,312,606	3,052,275	1,947,959
Vocational	300,679	265,105	317,228	279,402
Other	218,427	208,563	270,063	252,123
Support services:				
Pupil	1,461,609	1,444,956	1,447,835	1,447,460
Instructional staff	242,439	242,336	267,098	267,098
Board of education	46,616	46,616	32,359	32,359
Administration	1,391,696	1,391,119	1,361,176	1,360,218
Fiscal	477,180	477,180	489,184	489,184
Operations and maintenance	1,685,161	1,633,888	1,715,635	1,704,518
Pupil transportation	1,524,229	1,406,708	1,476,785	1,321,233
Central	508,580	502,522	419,590	414,417
Operation of non-instructional:				
Food service operations	797,479	71,738	888,136	180,715
Extracurricular activities	777,921	443,711	839,757	616,636
Interest and fiscal charges	442,969	442,969	440,569	440,569
Total expenses	<u>\$ 19,312,633</u>	<u>\$ 15,743,705</u>	<u>\$ 19,345,981</u>	<u>\$ 16,358,589</u>

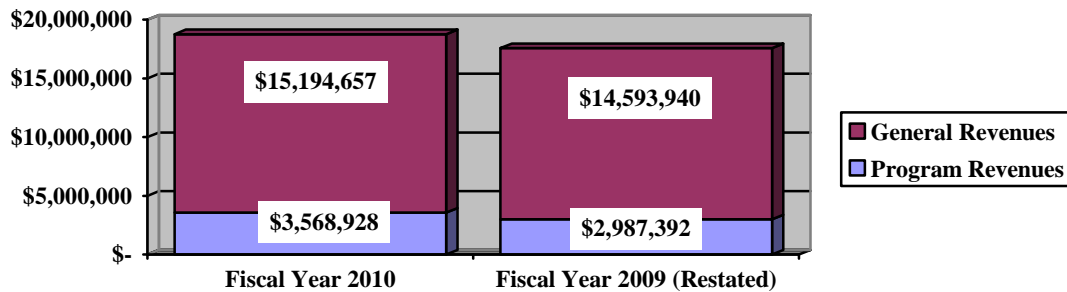
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent; 76.73% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.52%. The District's taxpayers, and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,200,260, which is less than last year's balance of \$1,575,544. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (Deficit) <u>June 30, 2010</u>	Fund Balance (Deficit) <u>June 30, 2009</u>	<u>(Decrease)</u>
General	\$ (953,560)	\$ (853,095)	\$ (100,465)
Bond retirement	324,216	418,674	(94,458)
Classroom facilities	1,561,506	1,583,201	(21,695)
Other governmental	<u>268,098</u>	<u>426,764</u>	<u>(158,666)</u>
Total	<u>\$ 1,200,260</u>	<u>\$ 1,575,544</u>	<u>\$ (375,284)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General Fund

The District's general fund balance decreased \$100,465. The decrease in fund balance can be attributed to the general fund making transfers of \$192,340 to non-major governmental funds. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,494,430	\$ 5,333,598	\$ 160,832	3.02 %
Tuition	718,751	549,920	168,831	30.70 %
Earnings on investments	27,310	88,744	(61,434)	(69.23) %
Intergovernmental	8,862,253	9,338,538	(476,285)	(5.10) %
Other revenues	<u>52,696</u>	<u>46,860</u>	<u>5,836</u>	12.45 %
 Total	 <u>\$ 15,155,440</u>	 <u>\$ 15,357,660</u>	 <u>\$ (202,220)</u>	 (1.32) %
<u>Expenditures</u>				
Instruction	\$ 7,744,167	\$ 8,429,141	\$ (684,974)	(8.13) %
Support services	6,940,217	6,696,964	243,253	3.63 %
Extracurricular activities	<u>383,279</u>	<u>341,664</u>	<u>41,615</u>	12.18 %
 Total	 <u>\$ 15,067,663</u>	 <u>\$ 15,467,769</u>	 <u>\$ (400,106)</u>	 (2.59) %

The decrease in earnings on investments can be attributed to lower interest rates and the declining investment market in fiscal year 2010. The increase in tuition is due to an increase in open enrollment. The decrease in intergovernmental revenue is due to a decrease in the State Foundation revenue in the general fund. The District received American Recovery and Reinvestment Act (ARRA) grants in the non-major governmental funds to offset the reduction of Foundation revenue. All other revenues and expenses remained comparable to the prior fiscal year on a percentage basis.

Bond Retirement Fund

The bond retirement fund had revenues of \$754,879 and expenditures of \$849,337. The bond retirement fund's fund balance decreased \$94,458 from \$418,674 to \$324,216, as a result of debt service payments on the District's two outstanding bond issuances.

Classroom Facilities Fund

The classroom facilities fund had revenues of \$1,061 and expenditures of \$22,756. The classroom facilities fund's fund balance decreased \$21,695 from \$1,583,201 to \$1,561,506.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$15,196,382, which is the same as the original budgeted revenues. Actual revenues and other financing sources for fiscal year 2010 was \$15,196,365, which was less than final budgeted revenues by \$17.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,733,847 were decreased to \$15,499,741 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$15,498,569, which was \$1,172 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$33,505,657, net of depreciation, invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2010 balances compared to June 30, 2009:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 351,574	\$ 351,574
Construction-in-progress	-	21,164,057
Land improvements	273,946	305,545
Building and improvements	31,337,862	10,627,426
Furniture and equipment	936,518	1,022,689
Vehicles	<u>605,757</u>	<u>711,145</u>
Total	<u>\$ 33,505,657</u>	<u>\$ 34,182,436</u>

The overall decrease in capital assets of \$676,779 is primarily due to depreciation expense of \$784,170 being more than capital outlays of \$107,391 in 2010.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Debt Administration

At June 30, 2010, the District had \$8,755,481 in general obligation bonds outstanding. Of this total, \$440,000 is due within one year and \$8,315,481 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
General obligation bonds	\$ <u>8,755,481</u>	\$ <u>9,163,555</u>

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, 2010, the District's overall legal debt margin was \$10,544,500 with an unvoted debt margin of \$209,766.

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

Current Financial Related Activities

The District relies heavily upon the State Foundation Program and property taxes for its operating funds. Due to changes in the State Foundation Formula, it is expected that state funding for the District will remain at fiscal year 2010 levels into the foreseeable future. This will cause increased pressure on local sources of revenue and will likely result in having to pass additional local taxes in order to avoid having to make significant operational cuts over the next two or three years.

Since, it is not expected that there will be any significant increases in revenue; it will necessitate a thorough review of the District's overall program. The major program concerns at the present time are the escalating costs of special education; the potential costs of state and federally mandated educational programs; and the ability to maintain current programs at a level that will ensure the District's ability to meet state minimum standards. In March of 2010 the District was placed in fiscal caution status by the Ohio Department of Education. The District has submitted and has had approved a recovery plan for fiscal year 2011.

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 District has also completed construction of two new elementary buildings. The renovation of the existing junior high building is on hold until additional funds can be secured.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact 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, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and investments. . . .	\$ 2,518,247
Receivables:	
Taxes	5,182,724
Accounts.	1,223
Intergovernmental	160,538
Accrued interest	5,571
Materials and supplies inventory.	3,788
Unamortized bond issue costs	131,724
Capital assets:	
Land	351,574
Depreciable capital assets, net.	33,154,083
Total capital assets, net.	33,505,657
 Total assets.	 41,509,472
 Liabilities:	
Accounts payable.	55,546
Accrued wages and benefits	1,402,630
Pension obligation payable.	433,117
Intergovernmental payable	129,624
Unearned revenue	4,320,960
Accrued interest payable	29,908
Long-term liabilities:	
Due within one year.	610,330
Due in more than one year	9,465,210
 Total liabilities	 16,447,325
 Net assets:	
Invested in capital assets, net of related debt.	24,708,934
Restricted for:	
Debt service.	313,234
Capital projects	1,633,757
Classroom facilities maintenance	314,634
Locally funded programs	1,933
State funded programs.	22,321
Federally funded programs	437
Public school support	14,736
Student activities	77,473
Other purposes	90,537
Unrestricted (deficit)	(2,115,849)
 Total net assets	 \$ 25,062,147

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, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,286,649	\$ 786,688	\$ 646,273	\$ (4,853,688)
Special	3,150,999	-	838,393	(2,312,606)
Vocational	300,679	4,528	31,046	(265,105)
Other	218,427	-	9,864	(208,563)
Support services:				
Pupil	1,461,609	-	16,653	(1,444,956)
Instructional staff	242,439	-	103	(242,336)
Board of education	46,616	-	-	(46,616)
Administration	1,391,696	-	577	(1,391,119)
Fiscal	477,180	-	-	(477,180)
Operations and maintenance	1,685,161	15,418	35,855	(1,633,888)
Pupil transportation	1,524,229	-	117,521	(1,406,708)
Central	508,580	-	6,058	(502,522)
Operation of non-instructional:				
Food service operations	797,479	334,610	391,131	(71,738)
Extracurricular activities	777,921	193,188	141,022	(443,711)
Interest and fiscal charges	442,969	-	-	(442,969)
Totals	\$ 19,312,633	\$ 1,334,432	\$ 2,234,496	(15,743,705)

General revenues:

Property taxes levied for:	
General purposes	3,254,226
Special purposes	89,834
Debt service	645,826
Capital projects	71,239
School district income taxes	2,231,122
Grants and entitlements not restricted	
to specific programs	8,821,035
Investment earnings	32,843
Miscellaneous	48,532
Total general revenues	15,194,657
Change in net assets	(549,048)
Net assets at beginning of year (restated)	25,611,195
Net assets at end of year	\$ 25,062,147

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ -	\$ 305,227	\$ 1,561,506	\$ 589,397	\$ 2,456,130
Receivables:					
Taxes	4,447,184	556,021	-	179,519	5,182,724
Accounts	380	-	-	843	1,223
Intergovernmental	-	-	-	160,538	160,538
Accrued interest	5,571	-	-	-	5,571
Interfund loans	11,100	-	-	-	11,100
Materials and supplies inventory	-	-	-	3,788	3,788
Restricted assets:					
Equity in pooled cash and investments	62,117	-	-	-	62,117
Total assets	<u>\$ 4,526,352</u>	<u>\$ 861,248</u>	<u>\$ 1,561,506</u>	<u>\$ 934,085</u>	<u>\$ 7,883,191</u>
Liabilities:					
Accounts payable	\$ 28,751	\$ -	\$ -	\$ 26,795	\$ 55,546
Accrued wages and benefits	1,157,302	-	-	245,328	1,402,630
Compensated absences payable	55,961	-	-	-	55,961
Pension obligation payable	354,426	-	-	78,691	433,117
Intergovernmental payable	109,520	-	-	20,104	129,624
Interfund loans payable	-	-	-	11,100	11,100
Deferred revenue	138,376	18,926	-	116,691	273,993
Unearned revenue	3,635,576	518,106	-	167,278	4,320,960
Total liabilities	<u>5,479,912</u>	<u>537,032</u>	<u>-</u>	<u>665,987</u>	<u>6,682,931</u>
Fund balances:					
Reserved for encumbrances	-	-	-	25,542	25,542
Reserved for materials and supplies inventory	-	-	-	3,788	3,788
Reserved for property tax unavailable for appropriation	133,247	18,989	-	6,131	158,367
Reserved for debt service	-	305,227	-	-	305,227
Reserved for BWC refunds	49,293	-	-	-	49,293
Reserved for school bus purchase	27,758	-	-	-	27,758
Reserved for textbook/instructional supplies	301,482	-	-	-	301,482
Unreserved, undesignated (deficit), reported in:					
General fund	(1,465,340)	-	-	-	(1,465,340)
Special revenue funds	-	-	-	166,923	166,923
Capital projects funds	-	-	1,561,506	65,714	1,627,220
Total fund balances (deficit)	<u>(953,560)</u>	<u>324,216</u>	<u>1,561,506</u>	<u>268,098</u>	<u>1,200,260</u>
Total liabilities and fund balances	<u>\$ 4,526,352</u>	<u>\$ 861,248</u>	<u>\$ 1,561,506</u>	<u>\$ 934,085</u>	<u>\$ 7,883,191</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, 2010

Total governmental fund balances		\$ 1,200,260
<i>Amounts reported for governmental activities on 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.		33,505,657
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 157,841	
Intergovernmental receivable	110,581	
Accrued interest receivable	5,571	
Total		273,993
Unamortized bond issuance costs are not recognized in the funds.		131,724
Unamortized premiums on bond issuances are not recognized in the funds.		(573,216)
Unamortized deferred charges on refundings are not recognized in the funds.		441,493
On the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.		(29,908)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(8,755,481)	
Compensated absences payable	(1,132,375)	
Total		(9,887,856)
Net assets of governmental activities		\$ 25,062,147

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 5,494,430	\$ 655,676	\$ -	\$ 161,611	\$ 6,311,717
Tuition	718,751	-	-	-	718,751
Charges for services	-	-	-	334,610	334,610
Earnings on investments	27,310	-	1,061	430	28,801
Extracurricular	-	-	-	193,188	193,188
Classroom materials and fees	321	-	-	72,144	72,465
Rental income	15,418	-	-	-	15,418
Contributions and donations	27,069	-	-	4,873	31,942
Other local revenues	9,888	-	-	144,297	154,185
Intergovernmental - Intermediate	-	-	-	10,521	10,521
Intergovernmental - State	8,862,253	99,203	-	87,943	9,049,399
Intergovernmental - Federal	-	-	-	1,747,433	1,747,433
Total revenues	<u>15,155,440</u>	<u>754,879</u>	<u>1,061</u>	<u>2,757,050</u>	<u>18,668,430</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,899,516	-	-	982,702	5,882,218
Special	2,369,610	-	-	800,196	3,169,806
Vocational	275,397	-	-	6,815	282,212
Other	199,644	-	-	12,250	211,894
Support services:					
Pupil	1,437,362	-	-	19,883	1,457,245
Instructional staff	236,632	-	-	202	236,834
Board of education	43,443	-	-	3,173	46,616
Administration	1,400,200	-	-	586	1,400,786
Fiscal	443,317	12,458	-	3,363	459,138
Operations and maintenance	1,507,392	-	-	145,562	1,652,954
Pupil transportation	1,378,579	-	-	2,394	1,380,973
Central	493,292	-	-	13,942	507,234
Operation of non-instructional services:					
Food service operations	-	-	-	759,801	759,801
Extracurricular activities	383,279	-	-	350,594	733,873
Facilities acquisition and construction	-	-	22,756	2,851	25,607
Debt service:					
Principal retirement	-	450,000	-	-	450,000
Interest and fiscal charges	-	386,879	-	-	386,879
Total expenditures	<u>15,067,663</u>	<u>849,337</u>	<u>22,756</u>	<u>3,104,314</u>	<u>19,044,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,777</u>	<u>(94,458)</u>	<u>(21,695)</u>	<u>(347,264)</u>	<u>(375,640)</u>
Other financing sources (uses):					
Sale of assets	4,098	-	-	-	4,098
Transfers in	-	-	-	192,340	192,340
Transfers (out)	<u>(192,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192,340)</u>
Total other financing sources (uses)	<u>(188,242)</u>	<u>-</u>	<u>-</u>	<u>192,340</u>	<u>4,098</u>
Net change in fund balances	(100,465)	(94,458)	(21,695)	(154,924)	(371,542)
Fund balances (deficit)					
at beginning of year	(853,095)	418,674	1,583,201	426,764	1,575,544
Decrease in reserve for inventory	-	-	-	(3,742)	(3,742)
Fund balances (deficit) at end of year	<u>\$ (953,560)</u>	<u>\$ 324,216</u>	<u>\$ 1,561,506</u>	<u>\$ 268,098</u>	<u>\$ 1,200,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$	(371,542)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceed capital outlays in the current period accordingly.		
Capital asset additions	\$ 107,391	
Current year depreciation	(784,170)	
Total		(676,779)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		
		(3,742)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(19,470)	
Intergovernmental	110,581	
Earnings on investments	4,044	
Total		95,155
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		450,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded in the statement of activities:		
Increase in accrued interest payable	(14,165)	
Accreted interest on capital appreciation bonds	(41,926)	
Amortization of deferred charges	(28,637)	
Amortization of bond premium	37,182	
Amortization of bond issuance costs	(8,544)	
Total		(56,090)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		13,950
Change in net assets of governmental activities	\$	(549,048)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,467,569	\$ 5,467,569	\$ 5,467,568	\$ (1)
Tuition	718,402	718,402	718,401	(1)
Earnings on investments	27,482	27,482	27,482	-
Classroom materials and fees	296	296	296	-
Rental income	15,419	15,419	15,418	(1)
Contributions and donations	27,070	27,070	27,069	(1)
Other local revenues	9,883	9,883	9,883	-
Intergovernmental - State	8,862,265	8,862,265	8,862,253	(12)
Total revenues	<u>15,128,386</u>	<u>15,128,386</u>	<u>15,128,370</u>	<u>(16)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,110,181	5,020,729	5,019,922	807
Special	2,413,661	2,380,190	2,380,014	176
Vocational	280,336	276,449	276,441	8
Other	204,845	202,004	201,997	7
Support services:				
Pupil	1,450,064	1,429,956	1,429,932	24
Instructional staff	242,007	238,651	238,641	10
Board of education	43,898	43,289	43,285	4
Administration	1,416,403	1,396,761	1,396,735	26
Fiscal	451,130	444,874	444,866	8
Operations and maintenance	1,563,546	1,541,864	1,541,824	40
Pupil transportation	1,406,572	1,387,067	1,387,045	22
Central	495,467	488,596	488,587	9
Extracurricular activities	389,436	384,036	384,005	31
Total expenditures	<u>15,467,546</u>	<u>15,234,466</u>	<u>15,233,294</u>	<u>1,172</u>
Excess of expenditures over revenues	<u>(339,160)</u>	<u>(106,080)</u>	<u>(104,924)</u>	<u>1,156</u>
Other financing sources (uses):				
Refund of prior year's expenditure	55,538	55,538	55,537	(1)
Refund of prior year's receipt	(62,705)	(61,835)	(61,835)	-
Transfers (out)	(192,340)	(192,340)	(192,340)	-
Advances in	8,360	8,360	8,360	-
Advances (out)	(11,256)	(11,100)	(11,100)	-
Sale of assets	4,098	4,098	4,098	-
Total other financing sources (uses)	<u>(198,305)</u>	<u>(197,279)</u>	<u>(197,280)</u>	<u>(1)</u>
Net change in fund balance	(537,465)	(303,359)	(302,204)	1,155
Fund balance at beginning of year	288,803	288,803	288,803	-
Prior year encumbrances appropriated	26,367	26,367	26,367	-
Fund balance (deficit) at end of year	<u>\$ (222,295)</u>	<u>\$ 11,811</u>	<u>\$ 12,966</u>	<u>\$ 1,155</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, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 11,461	\$ 66,128
Total assets.	<u>11,461</u>	<u>\$ 66,128</u>
Liabilities:		
Accounts payable.	-	\$ 181
Due to students.	-	<u>65,947</u>
Total liabilities	<u>-</u>	<u>\$ 66,128</u>
Net assets:		
Held in trust for scholarships	<u>11,461</u>	
Total net assets	<u>\$ 11,461</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 13
Gifts and contributions.	500
	513
Total additions.	513
Deductions:	
Scholarships awarded	500
	13
Change in net assets.	13
Net assets at beginning of year	11,448
Net assets at end of year.	\$ 11,461

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, 2010

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

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

JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association (LACA)

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

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

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

PUBLIC ENTITY RISK POOLS

Ohio School 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.

Ohio School Plan

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income tax, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue in the governmental funds.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

E. Budgets

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination. The Licking County Budget Commissioners waived the requirement for fiscal year 2010.

Estimated Resources:

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

Appropriations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2010, investments were limited to negotiable certificates of deposit, U.S. Government money market funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in the State Asset Treasury Reserve of Ohio (STAR Ohio) during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$27,310, which includes \$21,338 assigned from other District funds.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

G. Inventory

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

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

H. Capital Assets

General capital assets are associated with and generally are from governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,200. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service or employees age 60 or greater were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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, school bus purchases, BWC refunds and textbooks/instructional materials. 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. Amounts restricted for other purposes include amounts reserved for a special trust, uniform school supplies, public school support, an underground storage tank, BWC refunds, school bus purchases and textbook/instructional materials.

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

N. Estimates

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

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 BWC refunds, textbooks/instructional materials and reserved for capital acquisition. See Note 17 for additional information regarding set-asides.

P. Interfund Activity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

R. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General fund	\$ 953,560
<u>Nonmajor funds</u>	
Food service	12,351
Title VI-B	88,624
Education stabilization	98,757
Title I	35,323
Drug-free schools	447
Title VI-R	7,561

The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future revenues not recognized under GAAP at June 30.

C. Accounting Change

Due to an error in reporting the Ohio Schools Facilities Commission receivable in the previous year the beginning net assets will be restated. The restatement will have the following effect on beginning net assets:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 26,325,366
OSFC receivable adjustment	<u>(714,171)</u>
Restated net assets of July 1, 2009	<u>\$ 25,611,195</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Compliance

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 encumbrances for a portion of their 2010 expenditures.

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$1,047,789. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$643,984 of the District's bank balance of \$1,172,984 was exposed to custodial risk as discussed below, while \$529,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Negotiable CD's	\$ 316,677	\$ -	\$ -	\$ -	\$ 316,677
U.S. Government money market fund	1,034,927	1,034,927	-	-	-
STAR Ohio	<u>196,423</u>	<u>196,423</u>	-	-	-
Totals	<u>\$ 1,548,027</u>	<u>\$ 1,231,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,677</u>

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 316,677	20.46
U.S. Government money market fund	1,034,927	66.85
STAR Ohio	<u>196,423</u>	<u>12.69</u>
 Total	 <u>\$ 1,548,027</u>	 <u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,047,789
Investments	1,548,027
Cash on hand	<u>20</u>
Total	<u>\$ 2,595,836</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,518,247
Private-purpose trust fund	11,461
Agency fund	<u>66,128</u>
Total	<u>\$ 2,595,836</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2010, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 11,100</u>
Total		<u>\$ 11,100</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 192,340

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Licking and Knox Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$133,247 in the general fund, \$18,989 in the bond retirement fund and \$6,131 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$44,600 in the general fund, \$9,100 in the bond retirement fund and \$2,100 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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 unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 191,978,410	92.91	\$ 195,322,780	93.11
Public utility personal	14,193,260	6.87	14,443,200	6.89
Tangible personal property	<u>451,025</u>	<u>0.22</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 206,622,695</u>	<u>100.00</u>	<u>\$ 209,765,980</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$33.90		\$32.80

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 – RECEIVABLES – (Continued)

Governmental activities:

Taxes	\$ 5,182,724
Accounts	1,223
Intergovernmental	160,538
Accrued interest	<u>5,571</u>
Total	<u>\$ 5,350,056</u>

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

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2008 and is in effect for a period of three years, until December 31, 2010. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$2,231,122 for fiscal year 2010. Taxes receivable reported in the basic financial statements includes \$545,556 of income tax receivable.

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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, 2010

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 351,574	\$ -	\$ -	\$ 351,574
Construction-in-progress	<u>21,164,057</u>	<u>22,756</u>	<u>(21,186,813)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>21,515,631</u>	<u>22,756</u>	<u>(21,186,813)</u>	<u>351,574</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	548,251	-	-	548,251
Building and improvements	14,183,758	21,186,813	-	35,370,571
Furniture and equipment	3,592,276	74,585	-	3,666,861
Vehicles	<u>1,753,010</u>	<u>10,050</u>	<u>-</u>	<u>1,763,060</u>
Total capital assets, being depreciated	<u>20,077,295</u>	<u>21,271,448</u>	<u>-</u>	<u>41,348,743</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(242,706)	(31,599)	-	(274,305)
Building and improvements	(3,556,332)	(476,377)	-	(4,032,709)
Furniture and equipment	(2,569,587)	(160,756)	-	(2,730,343)
Vehicles	<u>(1,041,865)</u>	<u>(115,438)</u>	<u>-</u>	<u>(1,157,303)</u>
Total accumulated depreciation	<u>(7,410,490)</u>	<u>(784,170)</u>	<u>-</u>	<u>(8,194,660)</u>
Governmental activities capital assets, net	<u>\$ 34,182,436</u>	<u>\$ 20,510,034</u>	<u>\$ (21,186,813)</u>	<u>\$ 33,505,657</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 409,377
Special	7,503
Vocational	24,287
Other	18,872
<u>Support services:</u>	
Pupil	5,665
Instructional staff	9,148
Administration	16,019
Fiscal	343
Operations and maintenance	24,003
Pupil transportation	127,912
<u>Operation of non-instructional services:</u>	
Food service operations	58,712
Extracurricular activities	<u>82,329</u>
Total depreciation expense	<u>\$ 784,170</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
2001 Series Issue:					
Current interest bonds	\$ 3,970,000	\$ -	\$ (350,000)	\$ 3,620,000	\$ 365,000
2008 Series Issue:					
Current interest bonds	4,935,000	-	(100,000)	4,835,000	75,000
Capital appreciation bonds	210,000	-	-	210,000	-
Accreted interest	<u>48,555</u>	<u>41,926</u>	<u>-</u>	<u>90,481</u>	<u>-</u>
Total general obligation bonds	<u>9,163,555</u>	<u>41,926</u>	<u>(450,000)</u>	<u>8,755,481</u>	<u>440,000</u>
Compensated absences	<u>1,190,578</u>	<u>133,515</u>	<u>(135,757)</u>	<u>1,188,336</u>	<u>170,330</u>
Total governmental activities long-term liabilities	<u>\$ 10,354,133</u>	<u>\$ 175,441</u>	<u>\$ (585,757)</u>	9,943,817	<u>\$ 610,330</u>
Add: unamortized premium				573,216	
Less: deferred charge on refunding				<u>(441,493)</u>	
Total on statement of net assets				<u>\$ 10,075,540</u>	

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Series 2001 current interest bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2011	\$ 365,000	\$ 187,231	\$ 552,231
2012	385,000	169,976	554,976
2013	400,000	151,525	551,525
2014	-	142,025	142,025
2015	440,000	129,375	569,375
2016 - 2018	<u>2,030,000</u>	<u>241,500</u>	<u>2,271,500</u>
Total	<u>\$ 3,620,000</u>	<u>\$ 1,021,632</u>	<u>\$ 4,641,632</u>

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

The refunding issue is comprised of both current interest bonds, par value \$5,035,000, and capital appreciation bonds, par value \$210,000. The interest rates on the current interest bonds range from 3.25% to 4.00%. The capital appreciation bonds mature on December 1, 2019 and December 1, 2020, (stated interest 15.322 - 15.864%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,345,000. Total accreted interest of \$90,481 has been included in the statement of net assets. Interest payments of the current interest bonds are due on June 1 and December 1 of each year and are paid from the bond retirement fund. The final maturity date stated on the issue is December 1, 2025.

The following is a schedule of activity for fiscal year 2010 on the Series 2008 refunding bonds:

	Balance 06/30/09	Additions	Reductions	Balance 06/30/10
Current interest bonds	\$ 4,935,000	\$ -	\$ (100,000)	\$ 4,835,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest	<u>48,555</u>	<u>41,926</u>	<u>-</u>	<u>90,481</u>
Total refunding bonds	<u>\$ 5,193,555</u>	<u>\$ 41,926</u>	<u>\$ (100,000)</u>	<u>\$ 5,135,481</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10- LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2008 refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 75,000	\$ 181,931	\$ 256,931	\$ -	\$ -	\$ -
2012	75,000	179,494	254,494	-	-	-
2013	75,000	177,056	252,056	-	-	-
2014	500,000	174,619	674,619	-	-	-
2015	75,000	158,369	233,369	-	-	-
2016 - 2020	400,000	744,688	1,144,688	110,000	565,000	675,000
2021 - 2025	2,850,000	552,374	3,402,374	100,000	570,000	670,000
2026	785,000	31,400	816,400	-	-	-
Total	<u>\$ 4,835,000</u>	<u>\$ 2,199,931</u>	<u>\$ 7,034,931</u>	<u>\$ 210,000</u>	<u>\$ 1,135,000</u>	<u>\$ 1,345,000</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$10,554,500 (including available funds of \$330,566) and an unvoted debt margin of \$209,766.

NOTE 11 - 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

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 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the District purchased insurance through the Governmental Underwriter of America (the "GUA"), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by GUA are as follows:

Total policy coverage - includes the following:		
Building and Contents (\$1,000 deductible)		\$29,123,100
Uninsured/underinsured motorist		1,000,000
Medical payments	5,000/25,000 aggregate	10,000
Public Employee Dishonesty		150,000
General school district liability		
Per occurrence		1,000,000
Aggregate		3,000,000

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

B. Employee Health Benefits

The District provides health and prescription insurance through United Health Care and dental insurance through CoreSource/Oasis Trust for all eligible employees. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - RISK MANAGEMENT - (Continued)

C. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2010, 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.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc., provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$356,861, \$238,060 and \$227,555, respectively; 48.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$918,224, \$891,120 and \$861,569, respectively; 83.80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$19,867 made by the District and \$14,191 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$51,817, \$145,596 and \$138,796, respectively; 48.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,222, \$19,642 and \$16,396, respectively; 48.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NORTH FORK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$70,633, \$68,548 and \$66,275, respectively; 83.80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 revenues, 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);
- (d) Advances-in and advance-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP) basis; and,
- (e) Investments are reported as fair value (GAAP basis) rather than cost (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (302,204)
Net adjustment for revenue accruals	27,070
Net adjustment for expenditure accruals	139,157
Net adjustment for other sources/uses	9,038
Adjustment for encumbrances	26,474
GAAP basis	\$ (100,465)

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - 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 BWC refunds. At June 30, 2010, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 17 - STATUTORY RESERVES - (Continued)

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2009	\$ 251,115	\$ -	\$ 49,293
Current year set-aside requirement	289,925	289,925	-
Offsets	-	(73,580)	-
Qualifying disbursements	<u>(239,558)</u>	<u>(692,940)</u>	<u>-</u>
Total	<u>\$ 301,482</u>	<u>\$ (476,595)</u>	<u>\$ 49,293</u>
Balance carried forward to fiscal year 2011	<u>\$ 301,482</u>	<u>\$ -</u>	<u>\$ 49,293</u>

The capital acquisition reserve had debt related offsets in prior years that have been carried forward to future years. Excess qualifying disbursements and offsets (non-debt related) may not be carried forward.

A schedule of the restricted assets at June 30, 2010 follows:

Amount restricted for textbooks/instructional materials	\$ 301,482
Amount restricted for school bus purchases	27,758
Amount restricted for BWC refunds	<u>49,293</u>
Total restricted assets	<u>\$ 378,533</u>

For fiscal year 2010, the restricted assets in the general fund will be recorded as \$62,117, which is the entire cash balance of the general fund. The District will report the entire balance of \$378,533 in future reporting periods, if the cash balance in the general fund is sufficient.

NOTE 18 – SUBSEQUENT EVENT

On September 10, 2010, the District approved resolution to authorize the issuance of energy conservation notes in the amount of \$1,280,000 for the purpose of purchasing and installing energy conservation measures.

NOTE 19 – MANAGEMENT PLAN

The District has suffered recurring operating losses and has an unrestricted net asset deficiency. The General fund had a deficit fund balance of \$953,560 at June 30, 2010. During Fiscal Year 2010, the Ohio Department of Education (ODE) placed the District on fiscal caution. ODE approved a recovery plan for Fiscal Year 2011 that included the following cost reduction measures:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 19 – MANAGEMENT PLAN – (Continued)

(1) Staff Reductions:

- 8 Teachers
- 13 Aides
- 4 Custodians
- 2 Bus Drivers
- 1 Activity Director

(2) No increase in Board's share of health insurance

(3) Purchased Services Reductions

School Psychologist	\$73,000
Honeywell Instant Alert	\$12,155
School Resource Officer	\$38,840
Energy Projects (Utilities)	\$50,000
Spring St/Mill St Utilities	\$31,185

As of January 31, 2010, the District had a deficit cash General Fund balance of \$178,817. The District will also place an emergency tax levy on the May 3 ballot of 6.75mills.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
Non-cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 51,385	\$ 51,385
Cash Assistance			
Federal Breakfast Program	10.553	50,154	50,154
National School Lunch Program	10.555	304,209	304,209
Total Child Nutrition Cluster		<u>405,748</u>	<u>405,748</u>
Total U.S. Department of Agriculture		<u>405,748</u>	<u>405,748</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	260,000	238,753
ARRA - Title I Grants to Local Education Agencies	84.389	67,626	62,317
Total Title I Grants Cluster		<u>327,626</u>	<u>301,070</u>
Special Education Grants to States (IDEA Part B)	84.027	353,584	343,084
ARRA - Special Education Grants to States (IDEA Part B)	84.391	178,595	173,784
Total Special Education Grants to States (IDEA Part B) Cluster		<u>532,179</u>	<u>516,868</u>
Safe and Drug Free Schools and Communities	84.186	2,704	1,650
Innovative Education Program Strategies	84.298	314	1,248
Title II-A Improving Teacher Quality	84.367	82,704	77,783
Title II-D Education Technology	84.318	9,689	9,689
Javits Gifted and Talented Students Education Grant Program	84.206	500	500
ARRA - State Fiscal Stabilization Funds	84.394	548,405	543,450
Total U.S. Department of Education		<u>1,504,121</u>	<u>1,452,258</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Education:</i>			
Maternal and Child Health Federal Consolidated Grant Program	93.110	100	100
Total U.S. Department of Agriculture		<u>100</u>	<u>100</u>
Total Federal Awards		<u>\$ 1,909,969</u>	<u>\$ 1,858,106</u>

The accompanying notes are an integral part of this schedule.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2011, wherein we noted the District experienced certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 10, 2011.

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

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 10, 2011



Dave Yost • Auditor of State

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

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

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the North Fork Local School District, Licking County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-002.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2010-002. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 10, 2011

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.027 and #84.391 – Special Education Grants to States Cluster (IDEA-B) CFDA #84.394 – State Fiscal Stabilization Funds CFDA #10.553 and #10.555 – Nutrition Cluster CFDA #84.010 and #84.389 – Title I Grants to Local Education Agencies Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-001

Material Noncompliance – Prior Certification of Funds

Ohio Rev. Code Section 5705.41(D) 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 certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificates - 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 Board can authorize the drawing of a warrant for the payment of the amount due. The District’s Board has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the District.

2. Blanket certificates – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

The District Treasurer did not certify the availability of funds prior to the purchase commitment for 28 percent of expenditures tested during fiscal year 2010.

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 the Treasurer certify that the funds are or will be available prior to obligation by the Treasurer. When prior certification is not possible, “then and now” certification should be used.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-001 (Continued)

Material Noncompliance – Prior Certification of Funds (Continued)

We recommend the District Treasurer 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 Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

The Treasurer will review the use of the "Then and Now" certificate when the accounting staff to ensure that it is used when circumstances required it.

The Treasurer will also immediately notify all Building Administrators and Supervisors of the necessity of having a purchase order in place before making any obligations for the District.

We will also evaluate expanding the use of blanket purchase orders when feasible.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Allowable Costs / Cost Principles

Finding Number	2010-002
CFDA Title and Number	CFDA #84.391 ARRA-Special Education Grants to States (IDEA-B)
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost / Significant Deficiency

2 C.F.R. Part 225, Appendix A Section C3 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Further, 2 C.F.R. Part 225, Appendix A Section C1 lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must be adequately documented and meet the following general criteria:

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2010-002 (Continued)

Allowable Costs / Cost Principles-(Continued)

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of 2 C.F.R. Part 225.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in 2 C.F.R. Part 225, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

Throughout fiscal year, the District paid a resource officer \$28,034 for their duties. Of this, \$18,500 was charged to the Special Ed Cluster IDEA-Part B grant. There was no documentation maintained between time spent with children with disabilities and children without disabilities so the allocation could not be properly supported.

As a result, a questioned cost of \$18,500 is issued for unallowable activities/costs (or 3.6% of total Title VI-B Expenditures).

We recommend the District ensure the eligibility of Federal expenditures at the time they are made and ensure that all expenditures are properly supported and meet the allowable cost principles. Documentation supporting cost shifts should also be reviewed by the Board during monthly review of financial reports and expenditures to ensure the accuracy of the financial statement presentation, including the proper recording and classification of expenditures.

Official's Response/Corrective Action Plan:

This situation resulted from a miscommunication with the Senior High School Administrators and the Resource Officers as to his responsibilities regarding the ED Unit and the ARRA funding requirements.

On March 21, 2011 the Board of Education authorized the Treasurer to transfer funds from the General Fund to the Title II-B IDEA FY2010 (ARRA) Grant (516/932N). The Resource Officer will not be charged to the Title II-B IDEA FY2011 (ARRA) Grant.



Dave Yost • Auditor of State

NORTH FORK LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2011**