



Dave Yost • Auditor of State

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Statement of Net Position	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position Of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund	21
Statement of Fiduciary Net Position – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	23
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings.....	61
Schedule of Prior Audit Findings.....	63
Corrective Action Plan.....	64

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Fork Local School District, Licking County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The management's discussion and analysis of the North Fork Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$1,039,053 which represents a 3.96% increase from 2013.
- General revenues accounted for \$15,158,614 in revenue or 81.15% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,520,817 or 18.85% of total revenues of \$18,679,431.
- The District had \$17,380,854 in expenses related to governmental activities; only \$3,520,817 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 \$15,158,614 were adequate to provide for these programs. The District also recorded a special item for the demolition of elementary buildings in the amount of \$259,524.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$16,212,608 in revenues and other financing sources and \$14,769,258 in expenditures and other financing uses. During fiscal 2014, the general fund's fund balance increased \$1,443,350 from \$1,307,651 to a balance of \$2,751,001.
- The classroom facilities fund had revenues of \$130 during fiscal year 2014. The classroom facilities fund also recorded a special item for the demolition of elementary buildings in the amount of \$259,524. The classroom facilities fund's fund balance decreased \$259,394 from \$1,539,152 to \$1,279,758.

Using the Basic Financial Statements (BFS)

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund 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, 2014
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 12,166,616	\$ 10,534,861
Capital assets, net	<u>31,611,551</u>	<u>32,108,122</u>
Total assets	<u>43,778,167</u>	<u>42,642,983</u>
<u>Deferred outflows</u>	<u>326,943</u>	<u>355,581</u>
<u>Liabilities</u>		
Current liabilities	1,749,800	1,861,391
Long-term liabilities	<u>10,193,497</u>	<u>10,514,399</u>
Total liabilities	<u>11,943,297</u>	<u>12,375,790</u>
<u>Deferred inflows</u>	<u>4,881,633</u>	<u>4,381,647</u>
<u>Net position</u>		
Net investment in capital assets	23,172,743	23,432,033
Restricted	2,171,392	2,260,879
Unrestricted	<u>1,936,045</u>	<u>548,215</u>
Total net position	<u>\$ 27,280,180</u>	<u>\$ 26,241,127</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$27,280,180. At fiscal year-end, restricted net position was \$2,171,392.

At year-end, capital assets represented 72.21% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014, was \$23,172,743. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

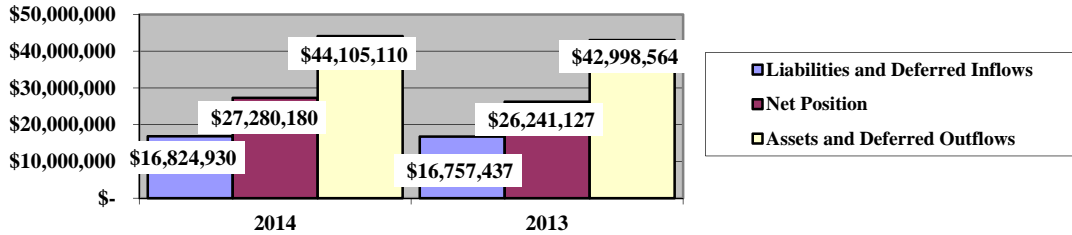
A portion of the District's net position, \$2,171,392, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$1,936,045.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The table below illustrates the District's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2014 and June 30, 2013.

Governmental Activities



The table below shows the changes in net position for governmental activities for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,397,703	\$ 1,334,708
Operating grants and contributions	2,123,114	2,272,363
General revenues:		
Property taxes	4,985,503	5,393,804
School district income taxes	1,944,316	1,944,326
Grants and entitlements	8,169,636	7,860,513
Investment earnings	13,120	12,949
Other	<u>46,039</u>	<u>170,772</u>
 Total revenues	 <u>\$ 18,679,431</u>	 <u>\$ 18,989,435</u>

Overall, revenues decreased approximately 1.6% from fiscal year 2013. A decrease in property tax revenue was offset by an increase in unrestricted grants and entitlements primarily in the form of State of Ohio foundation revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

<u>Expenses</u>	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
Program expenses:		
Instruction:		
Regular	\$ 6,183,678	\$ 6,454,617
Special	2,791,895	2,865,304
Vocational	168,623	172,067
Other	182,840	245,458
Support services:		
Pupil	1,569,508	1,670,632
Instructional staff	134,151	108,774
Board of education	37,686	33,828
Administration	1,087,971	1,186,083
Fiscal	476,984	519,995
Operations and maintenance	1,534,669	1,541,882
Pupil transportation	1,238,414	1,377,110
Central	167,862	121,547
Operation of non-instructional services:		
Food service operations	811,396	806,689
Extracurricular activities	545,978	754,565
Interest and fiscal charges	449,199	452,424
Total expenses	17,380,854	18,310,975
Special item: Demolition of elementary schools	(259,524)	-
Change in net position	1,039,053	678,460
Net position at beginning of year	26,241,127	25,562,667
Net position at end of year	\$ 27,280,180	\$ 26,241,127

Overall, expenditures decreased approximately \$1 million, or 5.07%, from fiscal year 2013. The District experienced decreased expenditures in most areas due to cost control measures implemented by the District.

Governmental Activities

Net position of the District's governmental activities increased \$1,039,053. Total governmental expenses of \$17,380,854 were offset by program revenues of \$3,520,817 and general revenues of \$15,158,614. Program revenues supported 20.26% 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 80.83% of total governmental revenue.

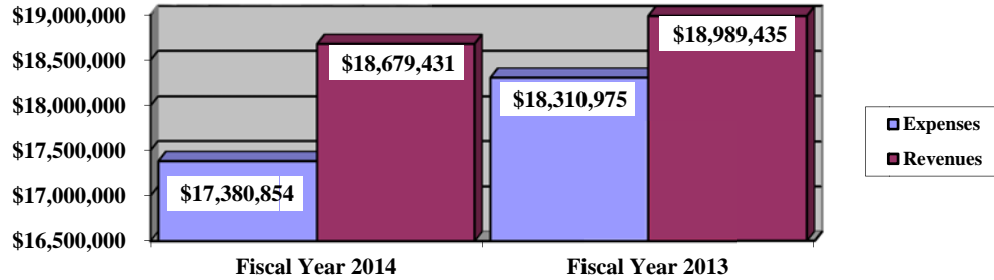
The largest expense of the District is for instructional programs. Instructional expenses totaled \$9,327,036 or 53.66% of total governmental expenses for fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 6,183,678	\$ 5,269,235	\$ 6,454,617	\$ 5,534,819
Special	2,791,895	1,510,456	2,865,304	1,433,273
Vocational	168,623	141,678	172,067	137,324
Other	182,840	179,053	245,458	238,258
Support services:				
Pupil	1,569,508	1,541,225	1,670,632	1,633,500
Instructional staff	134,151	133,758	108,774	108,569
Board of education	37,686	37,686	33,828	33,758
Administration	1,087,971	1,087,971	1,186,083	1,186,083
Fiscal	476,984	476,984	519,995	519,995
Operations and maintenance	1,534,669	1,510,669	1,541,882	1,521,778
Pupil transportation	1,238,414	1,149,413	1,377,110	1,313,960
Central	167,862	164,449	121,547	121,547
Operation of non-instructional services:				
Food service operations	811,396	97,267	806,689	166,726
Extracurricular activities	545,978	110,994	754,565	301,890
Interest and fiscal charges	449,199	449,199	452,424	452,424
Total expenses	<u>\$ 17,380,854</u>	<u>\$ 13,860,037</u>	<u>\$ 18,310,975</u>	<u>\$ 14,703,904</u>

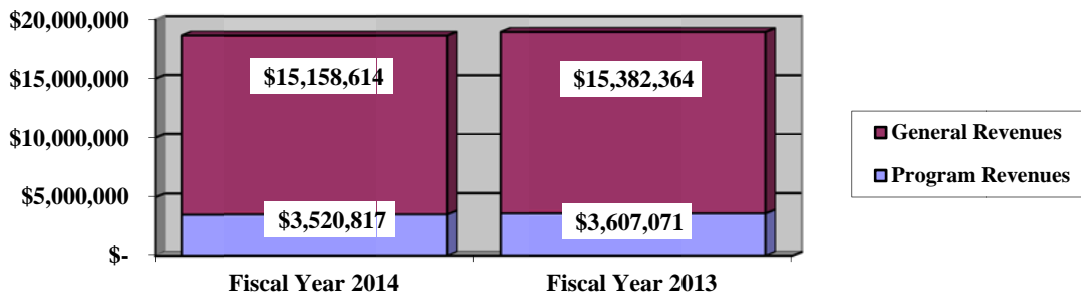
**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent; as 76.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.74%. 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 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$4,845,395, which is more than last year's balance of \$3,683,903. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 2,751,001	\$ 1,307,651	\$ 1,443,350
Classroom facilities	1,279,758	1,539,152	(259,394)
Other governmental	<u>814,636</u>	<u>837,100</u>	<u>(22,464)</u>
Total	<u>\$ 4,845,395</u>	<u>\$ 3,683,903</u>	<u>\$ 1,161,492</u>

General Fund

The District's general fund balance increased \$1,443,350. The increase in fund balance can be primarily attributed to a slight decrease in revenues continuing to outpace slightly decreasing expenditures, particularly an increase in intergovernmental state revenue. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>		<u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 4,039,863	\$ 4,448,907	\$ (409,044)	(9.19) %
Income taxes	1,944,316	1,941,106	3,210	0.17 %
Tuition	770,258	724,913	45,345	6.26 %
Earnings on investments	7,439	12,527	(5,088)	(40.62) %
Intergovernmental	8,854,708	8,613,963	240,745	2.79 %
Other revenues	<u>176,596</u>	<u>410,794</u>	<u>(234,198)</u>	(57.01) %
 Total	 <u>\$ 15,793,180</u>	 <u>\$ 16,152,210</u>	 <u>\$ (359,030)</u>	 (2.22) %
<u>Expenditures</u>				
Instruction	\$ 8,120,850	\$ 8,206,085	\$ (85,235)	(1.04) %
Support services	5,855,469	6,166,266	(310,797)	(5.04) %
Extracurricular activities	33,467	301,195	(267,728)	(88.89) %
Capital outlay	411,000	288,820	122,180	42.30 %
Facilities acquisition and construction	-	1,295	(1,295)	(100.00) %
Debt service	<u>284,021</u>	<u>143,470</u>	<u>140,551</u>	97.97 %
 Total	 <u>\$ 14,704,807</u>	 <u>\$ 15,107,131</u>	 <u>\$ (402,324)</u>	 (2.66) %

The decrease in property taxes is primarily due to variances in the amount of tax advance that was available to the District from the County Auditors at the end of fiscal years 2014 and 2013. The amount of tax advances available from the County Auditors can vary depending upon when tax bills are mailed. The decrease in earnings on investments can be attributed to less investments maturing in the available period. Other revenues decreased primarily due to decreases in extracurricular revenue and contributions and donations. All other revenues remained comparable to the prior fiscal year. Extracurricular expenditures decreased due to decreases in other sports oriented activities. Debt service and capital outlay expenditures increased due to a new capital lease during fiscal year 2014. All other expenditures remained comparable to the prior fiscal year.

Classroom Facilities Fund

The classroom facilities fund had revenues of \$130 during fiscal year 2014. The classroom facilities fund also recorded a special item for the demolition of elementary buildings in the amount of \$259,524. The classroom facilities fund's fund balance decreased \$259,394 from \$1,539,152 to \$1,279,758.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$16,413,359, which was \$1,386,659 more than the original budgeted revenues and other financing sources of \$15,026,700. Actual revenues and other financing sources for fiscal year 2014 was \$16,372,668, which was less than final budgeted revenues by \$40,691.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,137,122 were increased to \$15,945,122 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$14,939,683, which was \$1,005,439 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$31,611,551, 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, 2014 balances compared to June 30, 2013:

Capital Assets at June 30 (Net of Depreciation)		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 351,574	\$ 351,574
Land improvements	147,548	179,149
Building and improvements	29,717,873	30,490,318
Furniture and equipment	574,176	656,726
Vehicles	<u>820,380</u>	<u>430,355</u>
Total	<u>\$ 31,611,551</u>	<u>\$ 32,108,122</u>

The overall decrease in capital assets of \$496,571 is primarily due to depreciation expense of \$889,103 and disposals to capital assets of \$76,731 (net of accumulated depreciation), being more than capital outlays of \$469,263 in 2014.

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

Debt Administration

At June 30, 2014, the District had \$8,823,985 in general obligation bonds and capital lease obligations outstanding. Of this total, \$720,622 is due within one year and \$8,103,363 is due in greater than one year. The following table summarizes the bonds and capital leases outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
General obligation bonds	\$ 8,408,154	\$ 8,831,658
Capital lease obligations	<u>415,831</u>	<u>214,836</u>
Total	<u>\$ 8,823,985</u>	<u>\$ 9,046,494</u>

At June 30, 2014, the District's overall legal debt margin was \$14,480,409 with an unvoted debt margin of \$232,409.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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. It is expected that state funding for the District will remain at fiscal year 2014 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 (ODE). The District is currently working with the ODE to be removed from fiscal caution.

During 2014 the District began the abatement and demolition process of the former Mill Street and Spring Street elementary buildings. The funding for this project came from the remaining Ohio Schools Facilities money.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 5,409,615
Receivables:	
Property taxes	5,751,140
Income taxes	790,531
Accounts	7,555
Accrued interest	6,983
Intergovernmental	199,324
Materials and supplies inventory	1,468
Capital assets:	
Land	351,574
Depreciable capital assets, net	31,259,977
Capital assets, net	31,611,551
Total assets	43,778,167
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	326,943
Total deferred outflows of resources	326,943
 Liabilities:	
Accounts payable	77,579
Accrued wages and benefits payable	1,257,806
Pension obligation payable	268,944
Intergovernmental payable	116,193
Accrued interest payable	29,278
Long-term liabilities:	
Due within one year	918,272
Due in more than one year	9,275,225
Total liabilities	11,943,297
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	4,881,633
Total deferred inflows of resources	4,881,633
 Net position:	
Net investment in capital assets	23,172,743
Restricted for:	
Capital projects	1,524,057
Classroom facilities maintenance	298,282
Debt service	258,045
Locally funded programs	13,199
State funded programs	508
Federally funded programs	23,749
Student activities	52,107
Other purposes	1,445
Unrestricted	1,936,045
Total net position	\$ 27,280,180

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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 6,183,678	\$ 840,589	\$ 73,854	\$ (5,269,235)
Special	2,791,895	4,278	1,277,161	(1,510,456)
Vocational	168,623	-	26,945	(141,678)
Other	182,840	-	3,787	(179,053)
Support services:				
Pupil	1,569,508	-	28,283	(1,541,225)
Instructional staff	134,151	-	393	(133,758)
Board of education	37,686	-	-	(37,686)
Administration	1,087,971	-	-	(1,087,971)
Fiscal	476,984	-	-	(476,984)
Operations and maintenance	1,534,669	24,000	-	(1,510,669)
Pupil transportation	1,238,414	2,300	86,701	(1,149,413)
Central	167,862	-	3,413	(164,449)
Operation of non-instructional services:				
Food service operations	811,396	199,497	514,632	(97,267)
Extracurricular activities	545,978	327,039	107,945	(110,994)
Interest and fiscal charges	449,199	-	-	(449,199)
Total governmental activities	<u>\$ 17,380,854</u>	<u>\$ 1,397,703</u>	<u>\$ 2,123,114</u>	<u>(13,860,037)</u>

General revenues:

Property taxes levied for:	
General purposes	4,149,132
Debt service	635,183
Capital outlay	118,023
Special revenue	83,165
School district income taxes	1,944,316
Grants and entitlements not restricted to specific programs	8,169,636
Investment earnings	13,120
Miscellaneous	46,039
Total general revenues	<u>15,158,614</u>
Special item: Demolition of elementary schools	(259,524)
Total general revenues and special item	<u>14,899,090</u>
Change in net position	1,039,053
Net position at beginning of year	<u>26,241,127</u>
Net position at end of year	<u>\$ 27,280,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 3,009,354	\$ 1,279,758	\$ 872,125	\$ 5,161,237
Receivables:				
Property taxes	4,691,218	-	1,059,922	5,751,140
Income taxes	790,531	-	-	790,531
Accounts	7,555	-	-	7,555
Accrued interest	6,983	-	-	6,983
Intergovernmental	56,251	-	143,073	199,324
Materials and supplies inventory	-	-	1,468	1,468
Due from other funds	50,861	-	-	50,861
Restricted assets:				
Equity in pooled cash and cash equivalents	248,378	-	-	248,378
Total assets	<u>\$ 8,861,131</u>	<u>\$ 1,279,758</u>	<u>\$ 2,076,588</u>	<u>\$ 12,217,477</u>
Liabilities:				
Accounts payable	\$ 59,017	\$ -	\$ 18,562	\$ 77,579
Accrued wages and benefits payable	1,135,311	-	122,495	1,257,806
Compensated absences payable	56,574	-	-	56,574
Intergovernmental payable	110,063	-	6,130	116,193
Pension obligation payable	225,697	-	43,247	268,944
Due to other funds	-	-	50,861	50,861
Total liabilities	<u>1,586,662</u>	<u>-</u>	<u>241,295</u>	<u>1,827,957</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,981,959	-	899,674	4,881,633
Delinquent property tax revenue not available	342,419	-	77,365	419,784
Accrued interest not available	6,658	-	-	6,658
Income tax revenue not available	136,181	-	-	136,181
Intergovernmental revenue not available	56,251	-	43,618	99,869
Total deferred inflows of resources	<u>4,523,468</u>	<u>-</u>	<u>1,020,657</u>	<u>5,544,125</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	1,468	1,468
Restricted:				
Debt service	248,378	-	323,290	571,668
Capital improvements	-	1,279,758	227,357	1,507,115
Classroom facilities maintenance	-	-	291,668	291,668
Other purposes	-	-	15,551	15,551
Extracurricular	-	-	52,107	52,107
Committed:				
Underground storage tanks	11,000	-	-	11,000
Assigned:				
Student instruction	8,295	-	-	8,295
Student and staff support	57,599	-	-	57,599
Other purposes	5,000	-	-	5,000
Unassigned (deficit)	2,420,729	-	(96,805)	2,323,924
Total fund balances	<u>2,751,001</u>	<u>1,279,758</u>	<u>814,636</u>	<u>4,845,395</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,861,131</u>	<u>\$ 1,279,758</u>	<u>\$ 2,076,588</u>	<u>\$ 12,217,477</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	4,845,395
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			31,611,551
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	419,784	
Income taxes receivable		136,181	
Accrued interest receivable		6,658	
Intergovernmental receivable		99,869	
Total		662,492	662,492
Unamortized premiums on bonds issued are not recognized in the funds.			(424,488)
Unamortized amounts on refundings are not recognized in the funds.			326,943
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(29,278)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(8,408,154)	
Capital lease obligations		(415,831)	
Compensated absences		(888,450)	
Total		(9,712,435)	(9,712,435)
Net position of governmental activities		\$	27,280,180

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, 2014

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,039,863	\$ -	\$ 809,707	\$ 4,849,570
Income taxes	1,944,316	-	-	1,944,316
Tuition	770,258	-	-	770,258
Transportation fees	2,300	-	-	2,300
Earnings on investments	7,439	130	107	7,676
Charges for services	-	-	199,497	199,497
Extracurricular	20,090	-	297,391	317,481
Classroom materials and fees	74,609	-	-	74,609
Rental income	24,000	-	-	24,000
Contributions and donations	3,171	-	11,155	14,326
Other local revenues	52,426	-	96,790	149,216
Intergovernmental - intermediate	1,500	-	13,595	15,095
Intergovernmental - state	8,790,252	-	173,720	8,963,972
Intergovernmental - federal	62,956	-	1,099,156	1,162,112
Total revenues	15,793,180	130	2,701,118	18,494,428
Expenditures:				
Current:				
Instruction:				
Regular	5,602,618	-	71,561	5,674,179
Special	2,227,366	-	539,182	2,766,548
Vocational	132,711	-	334	133,045
Other	158,155	-	17,086	175,241
Support services:				
Pupil	1,538,045	-	21,952	1,559,997
Instructional staff	113,720	-	395	114,115
Board of education	37,581	-	105	37,686
Administration	1,067,109	-	-	1,067,109
Fiscal	414,279	-	15,981	430,260
Operations and maintenance	1,342,984	-	169,153	1,512,137
Pupil transportation	1,178,645	-	-	1,178,645
Central	163,106	-	7,200	170,306
Operation of non-instructional services:				
Food service operations	-	-	729,521	729,521
Extracurricular activities	33,467	-	406,869	440,336
Capital outlay	411,000	-	-	411,000
Debt service:				
Principal retirement	210,005	-	500,000	710,005
Interest and fiscal charges	74,016	-	308,519	382,535
Total expenditures	14,704,807	-	2,787,858	17,492,665
Excess (deficiency) of revenues over (under) expenditures	1,088,373	130	(86,740)	1,001,763
Other financing sources (uses):				
Sale of assets	8,428	-	-	8,428
Transfers in	-	-	64,451	64,451
Transfers (out)	(64,451)	-	-	(64,451)
Capital lease transaction	411,000	-	-	411,000
Total other financing sources (uses)	354,977	-	64,451	419,428
Special item: Demolition of elementary schools	-	(259,524)	-	(259,524)
Net change in fund balances	1,443,350	(259,394)	(22,289)	1,161,667
Fund balances at beginning of year	1,307,651	1,539,152	837,100	3,683,903
Decrease in reserve for inventory	-	-	(175)	(175)
Fund balances at end of year	\$ 2,751,001	\$ 1,279,758	\$ 814,636	\$ 4,845,395

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, 2014

Net change in fund balances - total governmental funds	\$	1,161,667
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 469,263	
Current year depreciation	(889,103)	
Total	(419,840)	(419,840)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(76,731)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(175)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	135,933	
Earnings on investments	5,452	
Intergovernmental	(491)	
Total	140,894	140,894
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	500,000	
Capital leases	210,005	
Total	710,005	710,005
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(411,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,288	
Accreted interest on capital appreciation bonds	(76,496)	
Amortization of bond premiums	37,182	
Amortization of deferred charges	(28,638)	
Total	(66,664)	(66,664)
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.		
		897
Change in net position of governmental activities	\$	1,039,053

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,798,539	\$ 4,181,014	\$ 4,181,018	\$ 4
Income taxes.	1,789,658	2,000,483	2,000,602	119
Tuition.	686,705	779,085	770,258	(8,827)
Transportation fees.	732	1,760	2,300	540
Earnings on investments	20,279	20,120	14,592	(5,528)
Extracurricular.	58,731	-	-	-
Classroom materials and fees	71,236	73,756	74,538	782
Rental income	20,041	24,000	24,000	-
Contributions and donations	42,073	6,587	3,171	(3,416)
Other local revenues	62,686	56,232	40,659	(15,573)
Intergovernmental - intermediate	624	1,500	1,500	-
Intergovernmental - state	7,936,663	8,799,128	8,784,977	(14,151)
Intergovernmental - federal	58,646	62,956	62,956	-
Total revenues	<u>14,546,613</u>	<u>16,006,621</u>	<u>15,960,571</u>	<u>(46,050)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,499,832	5,744,891	5,640,444	104,447
Special.	2,103,818	2,389,549	2,240,627	148,922
Vocational.	135,125	139,378	133,473	5,905
Other.	278,526	289,983	221,909	68,074
Support services:				
Pupil.	1,633,055	1,684,614	1,539,954	144,660
Instructional staff	133,027	154,252	136,877	17,375
Board of education	37,025	48,180	37,636	10,544
Administration.	1,135,193	1,165,636	1,093,287	72,349
Fiscal	548,963	553,368	527,992	25,376
Operations and maintenance.	1,409,294	1,477,859	1,377,852	100,007
Pupil transportation	1,433,614	1,510,043	1,346,521	163,522
Central.	278,614	326,869	187,997	138,872
Extracurricular activities.	6,000	22,916	17,559	5,357
Debt service:				
Interest and fiscal charges.	69,120	69,120	69,120	-
Total expenditures	<u>14,701,206</u>	<u>15,576,658</u>	<u>14,571,248</u>	<u>1,005,410</u>
Excess (deficiency) of revenues over (under) expenditures.	(154,593)	429,963	1,389,323	959,360
Other financing sources (uses):				
Refund of prior year's expenditures	135,770	163,865	172,242	8,377
Refund of prior year's receipts.	(55,000)	(83,750)	(83,721)	29
Transfers in	244,331	220,210	220,210	-
Transfers (out).	(380,916)	(284,714)	(284,714)	-
Advances in.	94,511	14,430	11,217	(3,213)
Sale of assets	5,475	8,233	8,428	195
Total other financing sources (uses)	<u>44,171</u>	<u>38,274</u>	<u>43,662</u>	<u>5,388</u>
Net change in fund balance	(110,422)	468,237	1,432,985	964,748
Fund balance at beginning of year	1,676,362	1,676,362	1,676,362	-
Prior year encumbrances appropriated	77,928	77,928	77,928	-
Fund balance at end of year	<u>\$ 1,643,868</u>	<u>\$ 2,222,527</u>	<u>\$ 3,187,275</u>	<u>\$ 964,748</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 9,608	\$ 49,772
Total assets.	9,608	\$ 49,772
Liabilities:		
Intergovernmental payable	-	\$ 136
Due to students.	-	49,636
Total liabilities	-	\$ 49,772
Net position:		
Held in trust for scholarships	9,608	
Total net position.	\$ 9,608	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 49
Total additions.	49
Deductions:	
Scholarships awarded	500
Change in net position	(451)
Net position at beginning of year.	10,059
Net position at end of year	\$ 9,608

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, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The North Fork Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 156 square miles. It is located in Licking and Knox Counties, and includes all of the Villages of Utica and St. Louisville, a portion of the City of Newark, all of McKean, Newton and Washington Townships and portions of Burlington, Eden, and Mary Ann Townships in Licking County. It also includes all of the Village of Martinsburg and parts of Morgan and Clay Townships. It is staffed by 116 certified personnel and 81 noncertified employees who provide services to 1,710 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 bus maintenance garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association (LACA)

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student and community activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, accrued interest not available and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

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

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 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

During fiscal year 2014, investments were limited to negotiable certificates of deposit, U.S. Government money market funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

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 2014 amounted to \$7,439, which includes \$1,801 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.

G. Inventory

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

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

I. Interfund Balances

Receivables and payables resulting from interfund loans are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

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, 2014, 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, 2014 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

M. Net Position

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

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

N. Estimates

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

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts set-aside as sinking fund requirements in the general fund for repayment of the series 2010 Energy Conservation bonds (see Note 10.D).

P. Interfund Activity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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. The District recorded a special item in fiscal year 2014 for expenditures related to the demolition of two elementary school buildings.

R. Bond Premium and Discount/Accounting Gain or Loss

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 34,623
Title VI-B	28,914
Title I	22,262
Title VI-R	9,538

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014, the carrying amount of all District deposits was \$2,962,399. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,465,665 of the District's bank balance of \$3,005,265 was exposed to custodial risk as discussed below, while \$539,600 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 196,911	\$ 196,911	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	532,945	129,986	100,008	200,311	102,640	-
U.S. Government money market	<u>1,776,720</u>	<u>1,776,720</u>	-	-	-	-
Totals	<u>\$ 2,506,576</u>	<u>\$ 2,103,617</u>	<u>\$ 100,008</u>	<u>\$ 200,311</u>	<u>\$ 102,640</u>	<u>\$ -</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 negotiable CD's are fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 196,911	7.86
Negotiable CD's	532,945	21.26
U.S. Government money market	<u>1,776,720</u>	<u>70.88</u>
Total	<u>\$ 2,506,576</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,962,399
Investments	2,506,576
Cash on hand	<u>20</u>
Total	<u>\$ 5,468,995</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,409,615
Private-purpose trust fund	9,608
Agency fund	<u>49,772</u>
Total	<u>\$ 5,468,995</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2014 as reported on the fund statements include the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 50,861</u>

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

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

- B. Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General	<u>\$ 64,451</u>

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Licking and Knox Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$366,840 in the general fund, \$57,647 in the bond retirement fund (a nonmajor governmental fund), \$18,150 in the permanent improvement fund (a nonmajor governmental fund) and \$7,086 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$507,995 in the general fund, \$87,918 in the bond retirement fund, \$12,590 in the permanent improvement fund (a nonmajor governmental fund) and \$9,963 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 210,504,020	92.56	\$ 211,402,420	90.96
Public utility personal	<u>16,927,240</u>	<u>7.44</u>	<u>21,007,000</u>	<u>9.04</u>
Total	<u>\$ 227,431,260</u>	<u>100.00</u>	<u>\$ 232,409,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.40		\$32.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,751,140
Income taxes	790,531
Accounts	7,555
Intergovernmental	199,324
Accrued interest	<u>6,983</u>
Total	<u>\$ 6,755,533</u>

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

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2008 and was effective for a period of three years, until December 31, 2010. The income tax was renewed January 1, 2011 and again January 1, 2014 and is in effect until December 31, 2016. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,944,316 for fiscal year 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> 06/30/13	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 06/30/14
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 351,574	\$ -	\$ -	\$ 351,574
Total capital assets, not being depreciated	<u>351,574</u>	<u>-</u>	<u>-</u>	<u>351,574</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	548,251	-	-	548,251
Building and improvements	36,624,571	-	(508,357)	36,116,214
Furniture and equipment	3,771,682	21,112	-	3,792,794
Vehicles	<u>1,874,567</u>	<u>448,151</u>	<u>(95,607)</u>	<u>2,227,111</u>
Total capital assets, being depreciated	<u>42,819,071</u>	<u>469,263</u>	<u>(603,964)</u>	<u>42,684,370</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(369,102)	(31,601)	-	(400,703)
Building and improvements	(6,134,253)	(705,275)	441,187	(6,398,341)
Furniture and equipment	(3,114,956)	(103,662)	-	(3,218,618)
Vehicles	<u>(1,444,212)</u>	<u>(48,565)</u>	<u>86,046</u>	<u>(1,406,731)</u>
Total accumulated depreciation	<u>(11,062,523)</u>	<u>(889,103)</u>	<u>527,233</u>	<u>(11,424,393)</u>
Governmental activities capital assets, net	<u>\$ 32,108,122</u>	<u>\$ (419,840)</u>	<u>\$ (76,731)</u>	<u>\$ 31,611,551</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 520,137
Special	8,057
Vocational	34,941
Other	7,354
<u>Support services:</u>	
Pupil	7,558
Instructional staff	13,057
Administration	19,241
Operations and maintenance	33,173
Pupil transportation	58,506
Extracurricular activities	114,027
Food service operations	<u>73,052</u>
Total depreciation expense	<u>\$ 889,103</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/14</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
2001 Series Issue:					
Current interest bonds	\$ 2,470,000	\$ -	\$ -	\$ 2,470,000	\$ 440,000
2007 Series Issue:					
Current interest bonds	4,610,000	-	(500,000)	4,110,000	75,000
Capital appreciation bonds	210,000	-	-	210,000	-
Accreted interest	261,658	76,496	-	338,154	-
2010 Energy conservation bonds	<u>1,280,000</u>	<u>-</u>	<u>-</u>	<u>1,280,000</u>	<u>-</u>
Total general obligation bonds	<u>8,831,658</u>	<u>76,496</u>	<u>(500,000)</u>	<u>8,408,154</u>	<u>515,000</u>
Capital lease obligation	<u>214,836</u>	<u>411,000</u>	<u>(210,005)</u>	<u>415,831</u>	<u>205,622</u>
<u>Compensated absences:</u>					
Severance	891,033	44,503	(131,588)	803,948	56,574
Vacation leave	<u>115,202</u>	<u>141,076</u>	<u>(115,202)</u>	<u>141,076</u>	<u>141,076</u>
Total compensated absences	<u>1,006,235</u>	<u>185,579</u>	<u>(246,790)</u>	<u>945,024</u>	<u>197,650</u>
Total governmental activities long-term liabilities	<u>\$ 10,052,729</u>	<u>\$ 673,075</u>	<u>\$ (956,795)</u>	9,769,009	<u>\$ 918,272</u>
Add: unamortized premium				<u>424,488</u>	
Total on statement of net position				<u>\$ 10,193,497</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 facilities Construction commission (formerly the Ohio School Facilities Commission). These bonds will be paid from the bond retirement fund. And mature December 1, 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Series 2001 current interest bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 440,000	\$ 129,375	\$ 569,375
2016	465,000	103,356	568,356
2017	495,000	75,756	570,756
2018	520,000	46,575	566,575
2019	550,000	15,813	565,813
Total	<u>\$ 2,470,000</u>	<u>\$ 370,875</u>	<u>\$ 2,840,875</u>

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

The refunding issue is comprised of both current interest bonds, par value \$5,035,000, and capital appreciation bonds, par value \$210,000. The interest rates on the current interest bonds range from 3.25% to 4.00%. The capital appreciation bonds mature on December 1, 2019 and December 1, 2020, (stated interest 15.322 - 15.864%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,345,000. Total accreted interest of \$338,154 has been included in the statement of net position. Interest payments of the current interest bonds are due on June 1 and December 1 of each year and are paid from the bond retirement fund. The final maturity date stated on the current interest bonds is December 1, 2025.

The following is a schedule of activity for fiscal year 2014 on the Series 2007 refunding bonds:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Current interest bonds	\$ 4,610,000	\$ -	\$ (500,000)	\$ 4,110,000
Capital appreciation bonds	210,000	-	-	210,000
Accreted interest	261,658	76,496	-	338,154
Total refunding bonds	<u>\$ 5,081,658</u>	<u>\$ 76,496</u>	<u>\$ (500,000)</u>	<u>\$ 4,658,154</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, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 75,000	\$ 157,103	\$ 232,103	\$ -	\$ -	\$ -
2016	100,000	154,150	254,150	-	-	-
2017	100,000	150,712	250,712	-	-	-
2018	100,000	147,213	247,213	-	-	-
2019	100,000	143,712	243,712	-	-	-
2020 - 2024	2,100,000	592,656	2,692,656	210,000	1,135,000	1,345,000
2025 - 2026	<u>1,535,000</u>	<u>62,100</u>	<u>1,597,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,110,000</u>	<u>\$ 1,407,646</u>	<u>\$ 5,517,646</u>	<u>\$ 210,000</u>	<u>\$ 1,135,000</u>	<u>\$ 1,345,000</u>

D. Energy Conservation Bonds - Series 2010

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

December 1 of year	Amounts Due
2014	\$ 85,333
2015	85,333
2016	85,333
2017	85,334
2018	85,333
2019	85,334
2020	85,333
2021	85,334
2022	85,333
2023	85,334
2024	85,333
2025	<u>85,334</u>
Total	<u>\$ 1,024,001</u>

At June 30, 2014, the District has reported restricted cash and restricted fund balance in the amount of \$248,378 for sinking fund deposits maintained in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

The following is a summary of future debt service requirements to maturity for the energy conservation bonds outstanding at June 30, 2014:

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2015	\$ -	\$ 69,120	\$ 69,120
2016	-	69,120	69,120
2017	-	69,120	69,120
2018	-	69,120	69,120
2019	-	69,120	69,120
2020 - 2024	-	345,600	345,600
2025	<u>1,280,000</u>	<u>69,120</u>	<u>1,349,120</u>
Total	<u>\$ 1,280,000</u>	<u>\$ 760,320</u>	<u>\$ 2,040,320</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$14,480,409 (including available funds of \$353,561), an unvoted debt margin of \$232,409, and an unvoted energy conservation debt margin of \$811,685.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2014, the District entered into a capital lease for school buses. In a prior year, the District entered into a capital lease for computer equipment. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds and as a reduction to the liability for the principal portion on the government-wide financial statements. These expenditures are reported as function expenditures on the budgetary statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Capital assets consisting of school buses have been capitalized in the amount of \$411,000. This amount represents the fair market value of the school buses at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2014 was \$18,495, leaving a book value of \$392,505. Principal payments in fiscal year 2014 totaled \$139,737 paid by the general fund.

The computer equipment has not been capitalized as the individual assets do not meet the District's capitalization threshold. Principal payments in fiscal year 2014 totaled \$70,268 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 214,902
2016	<u>214,901</u>
Total minimum lease payments	429,803
Less: amount representing interest	<u>(13,972)</u>
Total	<u>\$ 415,831</u>

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2014, the District purchased insurance through the McGowan Governmental Underwriters (the "MGU"), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by MGU are as follows:

Total policy coverage - includes the following:		
Building and Contents (\$1,000 deductible)		\$52,085,464
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 2014, the District cost for paid premium for medical and dental was \$1,561.36 and \$105.45 for family coverage and \$578.35 and \$48.20 for single coverage, per month, respectively.

C. Workers' Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$277,820, \$301,856 and \$285,207, respectively; 96.42 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$830,754, \$855,249 and \$866,319, respectively; 83.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$37,623 made by the District and \$29,561 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$41,396, \$35,841 and \$46,734, respectively; 96.42 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$16,118, \$17,051 and \$16,843, respectively; 96.42 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013 and 2012 were \$63,904, \$65,788 and \$66,640, respectively; 83.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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	\$ 1,432,985
Net adjustment for revenue accruals	(197,039)
Net adjustment for expenditure accruals	(192,643)
Net adjustment for other sources/uses	311,315
Funds budgeted elsewhere *	4,090
Adjustment for encumbrances	84,642
GAAP basis	<u>\$ 1,443,350</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	287,891
Current year qualifying expenditures	(1,018,807)
Current year offsets	<u>(243,474)</u>
Total	<u>\$ (974,390)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

A schedule of the restricted assets at June 30, 2014 follows:

Amount restricted for debt service	<u>\$ 248,378</u>
Total restricted cash	<u>\$ 248,378</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 48,699
Classroom facilities	67,338
Other governmental	<u>19,485</u>
 Total	 <u>\$ 135,522</u>

NOTE 20 – SUBSEQUENT EVENT

With careful planning and cost savings measures taken by the District, North Fork Local School District was officially released from Fiscal Caution by the Ohio Department of Education on December 12, 2014. Due to the uncertainties of the State budget and the future of School Funding, the District will keep trying to find ways to minimize costs while still ensuring educational needs are still being met.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 30,927	\$ 30,927
Cash Assistance			
Federal Breakfast Program	10.553	190,948	190,948
National School Lunch Program	10.555	285,185	285,185
Total Child Nutrition Cluster		<u>476,133</u>	<u>476,133</u>
Total U.S. Department of Agriculture		<u>507,060</u>	<u>507,060</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Education Agencies	84.010	254,640	275,332
Special Education Grants to States (IDEA Part B)	84.027	264,678	291,104
Title II-A Improving Teacher Quality	84.367	65,885	71,052
Race to the Top	84.395	3,700	4,294
Total U.S. Department of Education		<u>588,903</u>	<u>641,782</u>
Total Federal Awards		<u>\$ 1,095,963</u>	<u>\$ 1,148,842</u>

The accompanying notes are an integral part of this schedule.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the North Fork Local School District's, Licking County, Ohio. (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the North Fork Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2015

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

1. Eligibility Calculations

Finding Number	2014-001
CFDA Title and Number	CFDA # 10.553 & 10.555 Child Nutrition Cluster
Federal Award Number / Year	2014
Federal Agency	US Department of Agriculture
Pass-Through Agency	US Department of Education

Noncompliance

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

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

Testing over 60 free and reduced applications noted one instance where a student was receiving reduced priced lunches when they were not eligible for either free or reduced price lunches. The income level on the application exceeded the federal eligibility limit. The Food Service Supervisor signed off on the application indicating they were reduced which was incorrect.

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

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Eligibility Calculation	No	Reissued as finding 2014-001
2013-002	Verification of Applications	Yes	Corrected
2013-003	Paid Lunch Equity Calculation	Yes	Corrected

**NORTH FORK LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .31(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	July 1, 2014, the District began using LUNCHAPP.COM a federally approved, on-line free and reduced application system. A majority of free/reduced lunch applications were uploaded through this system. Between using this and the new Meal Magic food service software system which automatically calculates household income, the human error in this area should be reduced.	July 1, 2014	Allan Fordham, Coordinator of District Services



Dave Yost • Auditor of State

NORTH FORK LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2015**