



**Auditor of State  
Betty Montgomery**



**NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying general-purpose financial statements of North Fork Local School District, Licking County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of North Fork Local School District, Licking County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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We performed our audit to form an opinion on the general-purpose financial statements of the District taken as a whole. The schedule of federal awards receipts and expenditures is presented for additional analysis as required by 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

**BETTY MONTGOMERY**  
Auditor of State

February 3, 2003

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**North Fork Local School District**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>ASSETS AND OTHER DEBITS</u></b>				
Pooled Cash and Cash				
Equivalents	\$ 1,388,023	\$ 124,465	\$ 153,754	\$ 156,105
Restricted Cash for Budget Reserves	49,293	0	0	0
Investments	0	0	0	10,468,347
Receivables (Net of Allowance for Uncollectibles)				
Taxes	2,853,562	0	738,095	173,116
Accounts	18,667	3,690	0	0
Interest	7,782	0	0	94,353
Due from Other Governments	850	114,915	0	0
Interfund Loans Receivable	142,265	0	0	0
Materials and Supplies Inventory	0	0	0	0
Property, Plant and Equipment (Net Where Applicable)	0	0	0	0
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long- Term Obligations	0	0	0	0
	0	0	0	0
Total Assets and Other Debits	\$ <u>4,460,442</u>	\$ <u>243,070</u>	\$ <u>891,849</u>	\$ <u>10,891,921</u>

The notes to the financial statements are an integral part of this statement.



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>(Memorandum Only)</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 15,159	\$ 38,092	\$ 0	\$ 0	\$ 1,875,598
0	0	0	0	49,293
0	0	0	0	10,468,347
0	0	0	0	3,764,773
287	1,011	0	0	23,655
0	0	0	0	102,135
13,969	0	0	0	129,734
0	0	0	0	142,265
5,763	0	0	0	5,763
45,883	0	10,075,422	0	10,121,305
0	0	0	204,008	204,008
<u>0</u>	<u>0</u>	<u>0</u>	<u>11,924,378</u>	<u>11,924,378</u>
<u>\$ 81,061</u>	<u>\$ 39,103</u>	<u>\$ 10,075,422</u>	<u>\$ 12,128,386</u>	<u>\$ 38,811,254</u>

**North Fork Local School District**  
**Combined Balance Sheet - All Fund Types and Account Groups (Continued)**  
**June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 36,670	\$ 5,679	\$ 0	\$ 0
Contracts Payable	0	0	0	486,571
Accrued Wages and Benefits	1,017,206	85,014	0	0
Intergovernmental Payable	186,357	12,117	0	0
Deferred Revenues	2,665,630	110,865	687,841	161,474
Due to Students	0	0	0	0
Compensated Absences Payable	175,591	0	0	0
Interfund Loans Payable	0	50,415	0	90,500
General Obligation Bonds Payable	0	0	0	0
Capital Lease Obligations	0	0	0	0
	4,081,454	264,090	687,841	738,545
<b>EQUITY AND OTHER CREDITS</b>				
Contributed Capital	0	0	0	0
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance				
Reserved for Property Taxes	168,000	0	46,400	10,600
Reserved for Encumbrances	193,262	23,836	0	8,154,716
Reserved for Debt Service	0	0	109,422	0
Reserved for Endowment	0	0	0	0
Reserved for Budget Stabilization	49,293	0	0	0
Unreserved				
Undesignated	(31,567)	(44,856)	48,186	1,988,060
	378,988	(21,020)	204,008	10,153,376
Total Equity and Other Credits	378,988	(21,020)	204,008	10,153,376
Total Liabilities and Fund Equity	\$ 4,460,442	\$ 243,070	\$ 891,849	\$ 10,891,921

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 395	\$ 295	\$ 0	\$ 0	\$ 43,039
0	0	0	0	486,571
32,322	0	0	0	1,134,542
19,923	0	0	99,667	318,064
0	0	0	0	3,625,810
0	30,779	0	0	30,779
11,403	0	0	748,161	935,155
0	1,350	0	0	142,265
0	0	0	11,265,000	11,265,000
0	0	0	15,558	15,558
<u>64,043</u>	<u>32,424</u>	<u>0</u>	<u>12,128,386</u>	<u>17,996,783</u>
11,142	0	0	0	11,142
0	0	10,075,422	0	10,075,422
5,876	0	0	0	5,876
0	0	0	0	225,000
0	0	0	0	8,371,814
0	0	0	0	109,422
0	5,201	0	0	5,201
0	0	0	0	49,293
<u>0</u>	<u>1,478</u>	<u>0</u>	<u>0</u>	<u>1,961,301</u>
<u>17,018</u>	<u>6,679</u>	<u>10,075,422</u>	<u>0</u>	<u>20,814,471</u>
<u>\$ 81,061</u>	<u>\$ 39,103</u>	<u>\$ 10,075,422</u>	<u>\$ 12,128,386</u>	<u>\$ 38,811,254</u>

**North Fork Local School District**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - All Governmental Fund Types and Expendable Trust Funds**  
**Year Ended June 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues			
Taxes	\$ 2,791,067	\$ 0	\$ 723,707
Tuition and Fees	330,267	0	0
Earnings on Investments	123,267	0	0
Intergovernmental	7,376,383	504,069	90,437
Sales	0	0	0
Extracurricular	0	271,159	0
Other	1,659	5,358	0
Total Revenues	10,622,643	780,586	814,144
Expenditures			
Current Operating			
Instruction	6,151,165	456,591	0
Pupil Support Services	930,918	70,345	0
Instructional Support Services	180,002	107,542	0
Administration	1,078,817	35,386	0
Business and Fiscal Services	311,130	0	13,338
Operation and Maintenance of Plant Services	887,006	0	0
Transportation Services-Pupils	906,257	0	0
Other Support Services	83,902	13,008	0
Extracurricular Activities	265,861	267,046	0
Community Services	0	0	0
Capital Outlay	19,614	0	0
Debt Service			
Principal	33,818	0	135,000
Interest	2,878	0	532,013
Total Expenditures	10,851,368	949,918	680,351
Excess of Revenues Over (Under) Expenditures	(228,725)	(169,332)	133,793
Other Financing Sources (Uses)			
Operating Transfers In	11,933	68,791	0
Operating Transfers Out	(209,723)	0	(11,717,760)
Other	16,164	0	0
Total Other Financing Sources (Uses)	(181,626)	68,791	(11,717,760)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(410,351)	(100,541)	(11,583,967)
Fund Balances at Beginning of Year	789,339	79,521	11,787,975
Fund Balances at End of Year	\$ 378,988	\$ (21,020)	\$ 204,008

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 170,542	\$ -	\$ 3,685,316
0	0	330,267
464,721	19	588,007
88,529	0	8,059,418
0	0	0
0	0	271,159
<u>10,000</u>	<u>1,000</u>	<u>18,017</u>
733,792	1,019	12,952,184
73,027	1,000	6,681,783
0	0	1,001,263
0	0	287,544
352	0	1,114,555
2,804	0	327,272
10,986	0	897,992
63,529	0	969,786
0	0	96,910
0	0	532,907
0	0	0
1,960,187	0	1,979,801
0	0	168,818
<u>41,720</u>	<u>0</u>	<u>576,611</u>
<u>2,152,605</u>	<u>1,000</u>	<u>14,635,242</u>
(1,418,813)	19	(1,683,058)
11,724,803	0	11,805,527
0	0	(11,927,483)
<u>0</u>	<u>0</u>	<u>16,164</u>
<u>11,724,803</u>	<u>0</u>	<u>(105,792)</u>
10,305,990	19	(1,788,850)
<u>(152,614)</u>	<u>1,459</u>	<u>12,505,680</u>
<u>\$ 10,153,376</u>	<u>\$ 1,478</u>	<u>\$ 10,716,830</u>

**North Fork Local School District**  
**Combined Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**Year Ended June 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 2,829,420	\$ 2,829,416	\$ (4)
Tuition and Fees	322,720	311,955	(10,765)
Earnings on Investments	120,000	116,139	(3,861)
Intergovernmental	7,365,440	7,374,573	9,133
Extracurricular	1,669	1,669	0
Other	<u>1,670</u>	<u>1,712</u>	<u>42</u>
Total Revenues	10,640,919	10,635,464	(5,455)
Expenditures			
Current Operating			
Instruction	6,070,982	6,070,766	216
Pupil Support Services	929,305	929,216	89
Instructional Support Services	191,475	191,423	52
Administration	1,127,165	1,127,133	32
Business and Fiscal Services	307,620	307,604	16
Operation and Maintenance of			
Plant Services	904,205	904,105	100
Transportation Services-Pupils	913,119	913,085	34
Other Support Services	83,405	83,399	6
Extracurricular Activities	251,440	251,415	25
Capital Outlay	19,615	19,614	1
Debt Service			
Principal	0	0	0
Interest	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>10,798,331</u>	<u>10,797,760</u>	<u>571</u>
Excess of Revenues Over (Under) Expenditures	(157,412)	(162,296)	(4,884)
Other Financing Sources (Uses)			
Operating Transfers In	641,896	641,896	0
Operating Advances In	10,710	10,710	0
Operating Transfers Out	(839,992)	(839,686)	306
Operating Advances Out	(142,265)	(142,265)	0
Proceeds from Sale of Fixed Assets	3,625	3,625	0
Other	<u>12,755</u>	<u>12,756</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(313,271)</u>	<u>(312,964)</u>	<u>307</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(470,683)</u>	<u>(475,260)</u>	<u>(4,577)</u>
Unencumbered Fund Balances at Beginning of Year	1,469,788	1,469,788	0
Prior Year Encumbrances Appropriated	<u>221,338</u>	<u>221,338</u>	<u>0</u>
Unencumbered Fund Balances at End of Year	<u>\$ 1,220,443</u>	<u>\$ 1,215,866</u>	<u>\$ (4,577)</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 733,120	\$ 733,116	\$ (4)
0	0	0	0	0	0
0	0	0	0	0	0
499,020	500,019	999	90,440	90,437	(3)
263,398	266,441	3,043	0	0	
9,089	9,046	(43)	0	0	0
<u>771,507</u>	<u>775,506</u>	<u>3,999</u>	<u>823,560</u>	<u>823,553</u>	<u>(7)</u>
461,343	461,159	184	0	0	0
67,458	67,421	37	0	0	0
108,224	108,204	20	0	0	0
29,934	29,915	19	0	0	0
0	0	0	13,340	13,338	2
0	0	0	0	0	0
0	0	0	0	0	0
13,015	13,008	7	0	0	0
291,935	289,513	2,422	0	0	0
0	0	0	0	0	0
0	0	0	11,535,000	11,535,000	0
0	0	0	946,935	946,932	3
<u>971,909</u>	<u>969,220</u>	<u>2,689</u>	<u>12,495,275</u>	<u>12,495,270</u>	<u>5</u>
(200,402)	(193,714)	6,688	(11,671,715)	(11,671,717)	(2)
69,066	69,066	0	0	0	0
50,415	50,415	0	0	0	0
(276)	(276)	0	0	0	0
(10,710)	(10,710)	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>108,495</u>	<u>108,495</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(91,907)</u>	<u>(85,219)</u>	<u>6,688</u>	<u>(11,671,715)</u>	<u>(11,671,717)</u>	<u>(2)</u>
153,409	153,409	0	11,825,470	11,825,470	0
27,367	27,367	0	0	0	0
<u>\$ 88,869</u>	<u>\$ 95,557</u>	<u>\$ 6,688</u>	<u>\$ 153,755</u>	<u>\$ 153,753</u>	<u>\$ (2)</u>

..continued

**North Fork Local School District**  
**Combined Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**Year Ended June 30, 2002**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 172,880	\$ 172,882	\$ 2
Tuition and Fees	0	0	0
Earnings on Investments	497,250	524,826	27,576
Intergovernmental	88,530	88,530	0
Extracurricular	0	0	0
Other	10,000	10,000	0
Total Revenues	768,660	796,238	27,578
Expenditures			
Current Operating			
Instruction	85,376	85,370	6
Pupil Support Services	0	0	0
Instructional Support Services	0	0	0
Administration	355	352	3
Business and Fiscal Services	2,805	2,804	1
Operation and Maintenance of			
Plant Services	10,990	10,986	4
Transportation Services-Pupils	63,530	63,529	1
Other Support Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	10,076,459	10,076,437	22
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	10,239,515	10,239,478	37
Excess of Revenues Over (Under) Expenditures	(9,470,855)	(9,443,240)	27,615
Other Financing Sources (Uses)			
Operating Transfers In	7,043	7,043	0
Operating Advances In	90,500	90,500	0
Operating Transfers Out	0	0	0
Operating Advances Out	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Other	0	0	0
Total Other Financing Sources (Uses)	97,543	97,543	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,373,312)	(9,345,697)	27,615
Unencumbered Fund Balances at Beginning of Year	11,254,295	11,254,295	0
Prior Year Encumbrances Appropriated	36,540	36,540	0
Unencumbered Fund Balances at End of Year	\$ 1,917,523	\$ 1,945,138	\$ 27,615

The notes to the financial statements are an integral part of this statement.



Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,735,420	\$ 3,735,414	\$ (6)
322,720	311,955	(10,765)
617,250	640,965	23,715
8,043,430	8,053,559	10,129
265,067	268,110	3,043
<u>20,759</u>	<u>20,758</u>	<u>(1)</u>
13,004,646	13,030,761	26,115
6,617,701	6,617,295	406
996,763	996,637	126
299,699	299,627	72
1,157,454	1,157,400	54
323,765	323,746	19
915,195	915,091	104
976,649	976,614	35
96,420	96,407	13
543,375	540,928	2,447
10,096,074	10,096,051	23
11,535,000	11,535,000	0
<u>946,935</u>	<u>946,932</u>	<u>3</u>
<u>34,505,030</u>	<u>34,501,728</u>	<u>3,302</u>
(21,500,384)	(21,470,967)	29,417
718,005	718,005	0
151,625	151,625	0
(840,268)	(839,962)	306
(152,975)	(152,975)	0
3,625	3,625	0
<u>12,755</u>	<u>12,756</u>	<u>1</u>
<u>(107,233)</u>	<u>(106,926)</u>	<u>307</u>
(21,607,617)	(21,577,893)	29,724
24,702,962	24,702,962	0
<u>285,245</u>	<u>285,245</u>	<u>0</u>
<u>\$ 3,380,590</u>	<u>\$ 3,410,314</u>	<u>\$ 29,724</u>

**North Fork Local School District**  
**Combined Statement of Revenues, Expenses**  
**and Changes in Retained Earnings (Deficit)/Fund Balance**  
**Proprietary Fund Type and Similar Fiduciary Fund**  
**Year Ended June 30, 2002**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>(Memorandum Only)</u>
Operating Revenues			
Tuition and Fees	\$ 49,813	\$ 0	\$ 49,813
Earnings on Investments	0	54	54
Sales	300,075	0	300,075
Other	<u>0</u>	<u>1,203</u>	<u>1,203</u>
Total Operating Revenues	<u>349,888</u>	<u>1,257</u>	<u>351,145</u>
Operating Expenses			
Salaries and Wages	169,456	0	169,456
Fringe Benefits	86,127	0	86,127
Purchased Services	12,278	0	12,278
Materials and Supplies	328,294	0	328,294
Depreciation Expense	3,024	0	3,024
Other	<u>13,568</u>	<u>1,300</u>	<u>14,868</u>
Total Operating Expenses	<u>612,747</u>	<u>1,300</u>	<u>614,047</u>
Operating Income (Loss)	(262,859)	(43)	(262,902)
Nonoperating Revenues (Expenses):			
Intergovernmental Revenues	<u>146,667</u>	<u>0</u>	<u>146,667</u>
Income (Loss) Before Operating Transfers	(116,192)	(43)	(116,235)
Operating Transfers In	<u>129,000</u>	<u>0</u>	<u>129,000</u>
Net Income (Loss)	<u>12,808</u>	<u>(43)</u>	<u>12,765</u>
Retained Earnings/Fund Balance at Beginning of Year (Restated)	<u>(6,932)</u>	<u>5,244</u>	<u>(1,688)</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ 5,876</u>	<u>\$ 5,201</u>	<u>\$ 11,077</u>

The notes to the financial statements are an integral part of this statement.

**North Fork Local School District**  
**Combined Statement of Revenues, Expenses and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Enterprise Funds**  
**Year Ended June 30, 2002**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sales	\$ 356,340	\$ 349,938	\$ (6,402)
Total Revenues	356,340	349,938	(6,402)
Operating Expenses			
Salaries and Wages	168,470	168,468	2
Fringe Benefits	84,420	84,419	1
Purchased Services	12,340	12,340	0
Supplies, Materials and Texts	298,890	298,348	542
Capital Outlay	60	59	1
Other Expenditures	13,628	13,624	4
Total Expenses	577,808	577,258	550
Excess of Revenues Over (Under) Expenditures	(221,468)	(227,320)	(5,852)
Other Financing Sources (Uses)			
Intergovernmental Revenues	92,605	92,605	0
Operating Transfers In	129,000	129,000	0
Total Other Financing Sources (Uses)	221,605	221,605	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	137	(5,715)	(5,852)
Unencumbered Fund Balance at Beginning of Year	1,676	1,676	0
Prior Year Encumbrances Appropriated	11,878	11,878	0
Unencumbered Fund Balance at End of Year	\$ 13,691	\$ 7,839	\$ (5,852)

The notes to the financial statements are an integral part of this statement.

**North Fork Local School District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type and Similar Fiduciary Fund  
 Year Ended June 30, 2002**

	Total Proprietary Funds	Total Fiduciary Funds	Total (Memorandum Only)
Cash Flow from Operating Activities:			
Operating Income (Loss)	\$ (262,859)	\$ (43)	\$ (262,902)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Depreciation	3,024	0	3,024
Donated Commodities	35,958	0	35,958
Decrease (Increase) in Amounts Due from Other Governments	(13,969)	0	(13,969)
Decrease (Increase) in Supplies & Materials Inventory	2,767	0	2,767
Decrease (Increase) in Accounts Receivable	50	0	50
(Decrease) Increase in Accounts Payable	361	0	361
(Decrease) Increase in Intergovernmental Payable	(123)	0	(123)
(Decrease) Increase in Accrued Wages & Benefits	2,615	0	2,615
(Decrease) Increase in Compensated Absences Payable	204	0	204
(Decrease) Increase in Deferred Revenue	(6,074)	0	(6,074)
Net Cash provided by (Used in) Operating Activities	<u>24,813</u>	<u>0</u>	<u>24,813</u>
Cash Flow from Non Capital Financing Activities:			
Intergovernmental Revenue	110,709	0	110,709
Transfers In	<u>129,000</u>	<u>0</u>	<u>129,000</u>
Net Cash provided by (Used in) Noncapital Financing Activities	<u>239,709</u>	<u>0</u>	<u>239,709</u>
Cash Flow from Capital and Related Financing Activities			
Payments for Capital Acquisitions	<u>(59)</u>	<u>0</u>	<u>(59)</u>
(Decrease) Increase in Cash for the Year	1,604	(43)	1,561
Cash at Beginning of Year	<u>13,555</u>	<u>5,244</u>	<u>18,799</u>
Cash at End of Year	<u>\$ 15,159</u>	<u>\$ 5,201</u>	<u>\$ 20,360</u>

**Non Cash Non Capital Activities**

Federal donated commodities in the amount of \$35,958 were recorded as revenue when received in the Food Service Fund.

The notes to the financial statements are an integral part of this statement.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School 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 in Knox County. The School District is the 300th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 86 classified employees, 117 certificated full-time teaching personnel and 16 administrative employees who provide services to 1845 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and 1 bus maintenance garage.

***Reporting Entity:***

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For The School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District.

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include the Licking Area Computer Association, Licking County Joint Vocational School, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

***Governmental Fund Types:***

Governmental funds are those through which most governmental functions of the School District are financed.

The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

***General Fund*** -The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** -Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

***Debt Service Fund*** -The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

***Capital Projects Funds*** -The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

***Proprietary Fund Type:***

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The following is the School District's proprietary fund type:

***Enterprise Funds*** -Enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis Of Presentation - Fund Accounting** (continued)

***Fiduciary Fund Type:***

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***Account Groups:***

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

***General Fixed Assets Account Group*** -This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

***General Long-Term Obligations Account Group*** -This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 School District, available means expected to be received within 60 days of year-end.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Measurement Focus and Basis of Accounting** (continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

**C. Budgetary Process**

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 appropriation 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 primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.



**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Budgetary Process** (continued)

***Tax Budget:***

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

***Estimated Resources:***

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources that states the projected revenue of each fund. Prior to June 30, the School 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 fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

***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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Budgetary Process** (continued)

***Encumbrances:***

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund.

***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.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2002, investments were limited to a repurchase agreement sweep account, STAR Ohio, U.S. Treasury securities, federal agency securities and commercial paper.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quotes market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, 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 2002 amounted to \$123,267 which includes \$73,577 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Receivables and Payables**

Receivables and payables to be recorded on the School District's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

**F. Inventory**

Inventories of governmental funds are stated at cost on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund.

All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars (\$500.00). The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those whom the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School and for all employees age 60 and over, regardless of service.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**H. Compensated Absences** (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

**I. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments for these obligations made more than 60 days after fiscal year end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary fund are reported as liabilities in the appropriate proprietary funds

**J. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

An analysis of the School District's interfund transactions for fiscal year 2002 is presented in Note 17.

**K. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for property taxes, encumbrances, budget stabilization, debt service, and endowment.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**L. Contributed Capital**

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the amount of contributed capital prior to that date cannot be determined. Recognized contributed capital is as follows:

<u>Year</u>	<u>Source of Capital</u>	<u>Amount</u>
1999	Permanent Improvement Fund	\$ 11,142

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Estimates**

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

**N. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

**O. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary and Other Government Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB pronouncements.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had a deficit fund balance at June 30, 2002:

Special Revenue:	
Ohio Reads	\$ ( 32,790)
Summer School Subsidy	( 6,005)
Extended Learning Opportunity	( 32)
Title VI-B	( 9,963)
Title I	( 47,659)
Title II	( 6,162)
Drug Free	( 772)
Title VI-R	( 24,457)
Capital Project:	
Permanent Improvement	( 3,632)
Proprietary Fund:	
Food Service	( 10,020)

The deficit special revenue, capital projects and enterprise funds are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

**A. Accountability (Continued)**

The District did not follow expenditure certification requirements outlined in Ohio Revised Code Section 5705.41(D) for 59% of the expenditures tested throughout the fiscal year.

**NOTE 4- BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds and as note disclosure in the proprietary fund type and nonexpendable trust funds (GAAP basis).
4. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Gaap Basis	\$( 410,351)	\$ (100,541)	\$(11,583,967)	\$10,305,990
Revenue Accruals	13,038	( 5,080)	( 38,777)	380,205
Expenditure Accruals	274,157	9,604	( 48,973)	198,188
Transfer-In	0	0	0	(11,717,760)
Advances	( 131,555)	39,705	0	90,500
Encumbrances	<u>( 220,549)</u>	<u>( 28,907)</u>	<u>0</u>	<u>( 8,602,820)</u>
Budget Basis	<u>\$( 475,260)</u>	<u>\$ ( 85,219)</u>	<u>\$(11,671,717)</u>	<u>\$( 9,345,697)</u>

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 4- BUDGETARY BASIS OF ACCOUNTING (Continued)**

	Proprietary Fund Types	
	<u>Food Service</u>	<u>Uniform School Supplies</u>
Net Loss/Excess of Revenues Over (Under) Expenses, Transfers and Advances		
GAAP Basis	\$ 12,991	\$ ( 183)
Revenue Accrual	( 54,062)	50
Expense Accrual	39,785	0
Depreciation Expense	3,024	0
Encumbrances	<u>( 2,701)</u>	<u>( 4,619)</u>
Budget Basis	\$ <u>( 963)</u>	\$ <u>(4,752)</u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 two 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.

Protection of School District deposits is provided by the Federal Deposit Insurance Corporation, 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.

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 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 any federal government agency 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. Bond and other obligation of the State of Ohio;

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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 rating classifications by a least two nationally recognized rating agencies.

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

**Cash on Hand:** At year end, the School District had \$20 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents.

**Deposits:** At year end, the carrying amount of the School District's deposits was \$1,392,531 and the bank balance was \$1,712,856. The entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Fair Value</u>
Repurchase Agreements	317,433	317,433
STAR Ohio	0	214,907
US Treasury Money Market	60,875	60,875
FHLMC Notes	3,889,990	3,889,990
FNMA Notes	2,077,670	2,077,670
FFCB Notes	1,118,906	1,118,906
FHLB Notes	<u>3,320,906</u>	<u>3,320,906</u>
Total	<u>10,785,780</u>	<u>11,000,687</u>



**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting.”

A reconciliation between the classifications of cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,924,891	\$ 10,468,347
Investments:		
Repurchase Agreement	( 317,433)	317,433
STAR Ohio	( 214,907)	214,907
Cash on Hand:	<u>( 20)</u>	<u>0</u>
GASB Statement 3	<u>\$ 1,392,531</u>	<u>\$ 11,000,687</u>

**NOTE 6 -PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes, which became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes, 2002 tangible personal property taxes are levied after April 1, 2001, on the values as of December 31, 2001.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 6 -PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second Half</u> <u>Assessed Values</u>		<u>2002 First Half</u> <u>Assessed Values</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$ 123,428,500	85.59%	\$ 126,241,330	86.63%
Public Utility	15,744,570	10.92%	14,174,920	9.73%
Tangible Personal Property	<u>5,035,775</u>	<u>3.49%</u>	<u>5,308,870</u>	<u>3.64%</u>
<b>Total Assessed Value</b>	<b><u>\$144,208,845</u></b>	<b><u>100.00%</u></b>	<b><u>\$145,725,120</u></b>	<b><u>100.00%</u></b>
 Tax Rate per \$1,000 of Assessed valuation	 \$ 35.79		 \$ 35.79	

The School District receives property taxes from Licking and Knox Counties. The Licking County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2002 in the amount of \$19,932 in the General Fund, \$3,854 in the Bond Retirement Debt Service Fund, and \$1,042 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$168,000 in the General Fund, \$46,400 in the Bond Retirement Fund, and \$10,600 in the Permanent Improvement Capital Projects Fund.

**NOTE 7 -RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 7 –RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund:	
Vocational Travel Reimbursement	\$ <u>850</u>
Special Revenue Funds:	
Career Development Grant	\$ 600
SchoolNet Professional Development Grant	\$ 3,450
Summer School	\$ 5,930
Title I	\$ 63,786
Title II	\$ 1,048
Title VI	\$ 2,130
Title VIB	\$ 32,517
Drug Free	\$ <u>5,454</u>
 Total Special Revenue Funds	 \$ <u>114,915</u>
Enterprise Fund:	
Food Service Fund	\$ <u>13,969</u>
 Total Intergovernmental Receivables	 \$ <u>129,734</u>

**NOTE 8 -FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$ 158,709
Less Accumulated Depreciation	<u>112,826</u>
Net Fixed Assets	\$ <u>45,883</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance 06/30/2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/2002</u>
Land & Improvements	\$ 623,263	\$ 35,451	\$ 0	\$ 658,714
Buildings & Improvements	3,657,258	288,737	0	3,945,995
Construction in Progress	269,400	1,490,329	0	1,759,729
Furniture & Equipment	2,135,402	200,571	0	2,335,973
Vehicles	<u>1,219,822</u>	<u>157,389</u>	( <u>2,200</u> )	<u>1,375,011</u>
Total	\$ <u>7,905,145</u>	\$ <u>2,172,477</u>	\$( <u>2,200</u> )	\$ <u>10,075,422</u>

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 9 -RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Utica National Insurance Group for property, electronic equipment, commercial articles, valuable papers, contractor equipment and crime insurance and through Nationwide Mutual Insurance for general liability insurance and fleet insurance. Coverage provided is as follows:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 10 -DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate for the School District is 14 percent of the annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 4.2 percent of the annual covered payroll was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$238,404, \$226,008, and \$221,448, respectively; 50.00 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$32,754 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$735,936, \$698,988, and \$673,020, respectively; 83.91 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$86,043 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 11 -POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 8.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$236,551 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 million at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002 the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$174,829.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for the payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 -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. Sick leave may be accumulated up to a maximum of 150 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days for certified employees, plus 25 percent of accrued personnel leave. In addition, employees with 20 years or more service with the Districts receive 100 percent of accrued sick leave over 120 days.

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 12 -EMPLOYEE BENEFITS** (Continued)

**B. Health Care Benefits**

The School District provides health and prescription insurance through United Health Care and dental insurance through CoreSource/Oasis Trust for all eligible employees. During fiscal year 2002, the School District paid \$470.00 and \$254.52 of the medical and prescription insurance monthly premiums for family and single coverage, respectively. The School District paid \$45.00 and \$34.36 of the dental insurance monthly premiums for family and single coverage, respectively.

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

**NOTE 13 –CAPITAL LEASES – LESSEE DISCLOSURE**

The School District has entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," 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 combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$150,858. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$33,818 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Year Ending June 30</u>	<u>GLTDAG</u>
2003	<u>15,862</u>
Total lease payment including interest	\$ 15,862
Less: Amount Representing Interest	<u>( 304)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 15,558</u>

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 14 –CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual purchase commitments for the Utica Junior/Senior High School addition project. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Commitments</u>	<u>Amounts Paid as of 06/30/2002</u>	<u>Amount Remaining on Contracts</u>
McDonald, Cassell & Bassett	Building	\$ 715,000	\$ 567,600	\$ 147,400
Resource International	Building	560,000	356,800	203,200
Robertson Construction	Building	5,122,710	383,558	4,739,152
Houston Plumbing	Building	512,787	0	512,787
Simplex Grinnell	Building	111,540	7,860	103,680
Universal Refrigeration	Building	1,496,241	27,365	1,468,876
XF Construction	Building	1,178,284	69,115	1,109,169
Farnham Equipment	Building	295,800	0	295,800
C & T Design	Building	219,060	0	219,060
Thyssenkrupp Elevator	Building	40,134	0	40,134
Oakland Design Associates	Building	<u>26,712</u>	<u>0</u>	<u>26,712</u>
Total		<u>\$10,278,268</u>	<u>\$ 1,412,298</u>	<u>\$ 8,865,970</u>

**NOTE 15 –NOTES PAYABLE**

A summary of the note transactions for fiscal year ended June 30, 2002 follows:

	<u>Outstanding 06/30/2001</u>	<u>Additions</u>	<u>Retired</u>	<u>Outstanding 06/30/2002</u>
4.80% School Improvement Bond	\$ 9,000,000	\$ 0	\$ 9,000,000	\$ 0
4.20% School Improvement Bond	<u>2,400,000</u>	<u>0</u>	<u>2,400,000</u>	<u>0</u>
Total	<u>\$11,400,000</u>	<u>\$ 0</u>	<u>\$11,400,000</u>	<u>\$ 0</u>

The notes were bond anticipation notes, backed by the full faith and credit of the North Fork Local School District. The notes matured on July 30, 2001.

**NOTE 16 -LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Principal Outstanding 06/30/2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/2002</u>
Intergovernmental	\$ 93,489	\$ 99,667	\$ 93,489	\$ 99,667
Compensated Absences	605,620	142,541	0	748,161
General Obligation Bonds	11,400,000	0	135,000	11,265,000
Capital Leases	<u>49,377</u>	<u>0</u>	<u>33,819</u>	<u>15,558</u>
Total	<u>\$12,148,486</u>	<u>\$ 242,208</u>	<u>\$ 262,308</u>	<u>\$12,128,386</u>



**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 16 -LONG-TERM OBLIGATIONS (Continued)**

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District issued School Improvement bond anticipation notes at 4.80% for \$9,000,000 on December 20, 2000 and 4.20% for \$2,400,000 on January 18, 2001, as a result of the School District passing a 5.51 mill levy on November 7, 2001. The purpose of the notes is to build a 75,000 square addition to the existing Utica Junior/Senior High School facility.

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

The School District's voted legal debt margin was \$13,115,261 with an unvoted debt margin of \$145,725 at June 30, 2002.

Principal and interest requirements to retire the School Improvement General Obligation Bonds outstanding as of June 30, 2002, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	230,000	574,090	804,090
2004	260,000	565,140	825,140
2005	290,000	554,748	844,748
2006-2010	1,620,000	2,585,735	4,205,735
2011-2015	2,010,000	2,178,302	4,188,302
2016-2020	2,615,000	1,552,288	4,167,288
2021-2025	3,435,000	713,762	4,148,762
2026	<u>805,000</u>	<u>22,138</u>	<u>827,138</u>
Total	<u>\$11,265,000</u>	<u>\$ 8,746,203</u>	<u>\$20,011,203</u>

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 17 – INTERFUND ACTIVITY**

As of June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables</u> Advance From	<u>Payables</u> Advance To
General Fund	\$ 142,265	\$ 0
Special Revenue Funds:		
Other Local Grants	0	100
SchoolNet Professional Development	0	15
Ohio Reads	0	29,700
Summer School Subsidy	0	300
Title II (Eisenhower)	0	6,800
Title VI (Drug Free)	0	500
Title VI-R	<u>0</u>	<u>13,000</u>
Total Special Revenue Funds	0	50,415
Capital Project Funds:		
Permanent Improvement	<u>0</u>	<u>90,500</u>
Agency Funds:		
Student Managed Activities	<u>0</u>	<u>1,350</u>
Total – All Funds	<u>\$ 142,265</u>	<u>\$ 142,265</u>

**NOTE 18 -SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains enterprise funds to account for the food service and uniform school supply operations. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	<u>Food</u> <u>Service</u>	<u>Uniform</u> <u>School</u> <u>Supplies</u>
Operating Revenues	\$ 300,075	49,813
Depreciation Expense	3,024	0
Operating Income (Loss)	( 250,676)	( 12,183)
Donated Commodities	35,958	0
Operating Transfers	117,000	12,000
Net Income (Loss)	12,991	( 183)
Net Working Capital	( 29,223)	11,761
Total Assets	69,300	11,761
Total Equity	5,257	11,761

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association**

The School District is a participant in Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association of thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member entities.

The governing board of LACA consists of the superintendents from all participating school districts and educational service centers. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's payment for accounting services for fiscal year 2002 was \$8,476. Financial Statements for LACA may be obtained from its fiscal agent, the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

**B. Licking County Joint Vocational School**

The Licking County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of three representatives from the Licking county Educational Service Center; two from the Newark City School District; one from the Heath City School District; and one from the Granville Exempted Village School district, which possesses its own budgeting and taxing authority. To obtain financial information write to the Licking County Joint Vocational School , Cory Thompson, who serves as Treasurer, at 150 Price road, Newark, OH 43055.

**C. Metropolitan Educational Council**

The School District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is comprised of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is comprised of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2001 was \$740. Financial information may be obtained from the Metropolitan Education Council, Denise Canfield, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**D. Central Ohio Special Education Regional Resource Center**

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

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 20 – INSURANCE PURCHASING POOL**

**A. Ohio School Board Association Workers’ Compensation Group Rating Plan**

The School District participates in the Ohio School Board Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school district pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 21 – STATUTORY RESERVES**

The School District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition, construction and maintenance of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Balance 07/01/2001	\$ ( <u>10,459</u> )	\$ <u>0</u>	\$ <u>49,293</u>
Current Year Set-Aside Requirement	243,781	243,781	
Current Year Offsets		( 172,882 )	
Qualifying Expenditures	( <u>245,838</u> )	( <u>1,879,337</u> )	
FY 2002 Variance	( <u>2,057</u> )	( <u>1,808,438</u> )	<u>49,293</u>
Balance Carried Forward To FY2003	\$ ( <u>12,516</u> )	\$ ( <u>1,227,425</u> )	\$ <u>49,293</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts in the textbook and capital improvements set-asides may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$49,293.

**NOTE 22 – SUBSEQUENT EVENT**

**A. State School Funding Decision**

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

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

**North Fork Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 23 -CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

The School District is currently not a party to any legal proceedings

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NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$35,958	\$0	\$35,958
National School Lunch Program	LLP4-2001/2002	10.555	88,450	0	88,450	0
Total U.S. Department of Agriculture - Nutrition Cluster			<b>88,450</b>	<b>35,958</b>	<b>88,450</b>	<b>35,958</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2001/2002	84.010	296,802	0	313,961	0
Special Education Grants to States	6BSF-2001/2002	84.027	101,282	0	113,620	0
Vocational Education Basic Grants to States	N/A	84.048	959	0	959	0
Safe and Drug Free Schools and Communities State Grant	DRS1-2001/2002	84.186	3,777	0	5,369	0
Eisenhower Professional Development State Grant	MSS1-2001/2002	84.281	10,859	0	13,215	0
Innovative Education Program Series	C2S1-2002	84.298	9,313	0	6,381	0
Class Size Reduction	CRS1-2001/2002	84.340	45,318	0	45,494	0
<i>Passed Through Licking County Joint Vocational School:</i>						
Vocational Education Basic Grants to States	N/A	84.048	710	0	710	0
Total Department of Education			<b>469,020</b>	<b>0</b>	<b>499,709</b>	<b>0</b>
<b>Total Federal Awards</b>			<b>\$557,470</b>	<b>\$35,958</b>	<b>\$588,159</b>	<b>\$35,958</b>

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

**NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**FISCAL YEAR ENDED JUNE 30, 2002**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C – MATCHING REQUIREMENTS**

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





**Auditor of State  
Betty Montgomery**

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

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

We have audited the general-purpose financial statements of North Fork Local School District, Licking County, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10645-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 3, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10645-002.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of District in a separate letter dated February 3, 2003.

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

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

**BETTY MONTGOMERY**  
Auditor of State

February 3, 2003



## Auditor of State Betty Montgomery

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

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

#### Compliance

We have audited the compliance of North Fork Local School District, Licking County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

#### Internal Control Over Compliance

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

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

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



**BETTY MONTGOMERY**  
Auditor of State

February 3, 2003

**NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Grants to Local Education Agencies - # 84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

<b>Finding Number</b>	<b>2002-10645-001</b>
-----------------------	-----------------------

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance by the issuance of a regular purchase order or certificate, a blanket certificate, or a super blanket certificate. Blanket certificates can be issued for an amount not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months, and not extending beyond the end of the current fiscal year. A super blanket certificate may be issued for any amount from a specific line item appropriation account in a specific fund, for most recurring or reasonable predictable operating expenditures.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
  
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the District.

59% of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District funds being over expended or exceeding budgetary spending limitations, we recommend that the District Treasurer certify that the funds are or will be available prior to obligation by District personnel. When prior certification is not possible, then and now certification should be utilized.

**NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
(Continued)**

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

<b>Finding Number</b>	<b>2002-10645-002</b>
-----------------------	-----------------------

**Fixed Assets**

The District has not had an actual inventory observation performed either in-house, or by an outside asset evaluator for several years. Also, additions and deletions of fixed assets over the past several years have not been updated to the Master Asset Listing. This weakness could result in the theft, loss, or acquisition of assets without management's detection and could also result in inaccurate financial reporting of the District's fixed assets. Furthermore, the District should begin preparing for the implementation of GASB 34, and the calculation and reporting of depreciation expense.

We recommend the District internally provide for or contact an outside fixed asset evaluator to perform an inventory observation, in accordance with their fixed asset capitalization policy, and create an updated fixed asset master listing. Any discrepancies between the fixed asset listing and the amount reported on the financial statements should be investigated. This master listing should include the following information in preparation for the implementation of GASB 34:

- |                    |                              |
|--------------------|------------------------------|
| - Cost Function    | - Acquisition Cost           |
| - Location         | - Salvage Value              |
| - Tag Number       | - Yearly depreciation amount |
| - Description      | - Current depreciation       |
| - Acquisition date | - Accumulated depreciation   |
| - Useful life      | - Asset carrying value       |

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

NORTH FORK LOCAL SCHOOL DISTRICT  
LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
OMB CIRCULAR A -133 §.315 (b)  
JUNE 30, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-10645-001	Insufficient fixed asset data base	No	Not corrected





**Auditor of State  
Betty Montgomery**

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**NORTH FORK LOCAL SCHOOL DISTRICT**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2003**