

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006***

**JACK MCDONALD, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
North Fork Local School District  
312 Maple Avenue  
Utica, Ohio 43080

We have reviewed the *Independent Auditor's Report* of the North Fork Local School District, Licking County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North Fork Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 23, 2007

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**NORTH FORK LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Board of Education  
North Fork Local School District  
312 Maple Avenue  
Utica, Ohio 43080

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Fork Local School District, Licking County (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Fork Local School District, Licking County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
North Fork Local School District  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of 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 not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
January 25, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the North Fork Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$135,715 which represents a 3.43% increase from 2005.
- General revenues accounted for \$14,542,316 in revenue or 86.50% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,269,576 or 13.50% of total revenues of \$16,811,892.
- The District had \$16,676,177 in expenses related to governmental activities; only \$2,269,576 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,542,316 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$13,230,434 in revenues and other financing sources and \$13,605,102 in expenditures and other financing uses. During fiscal 2006, the general fund's fund balance decreased \$374,668 from a deficit of \$44,399 to a deficit of \$419,067.
- The debt service fund had revenues of \$860,389 and expenditures of \$857,853. The debt service fund's fund balance increased \$2,536 from \$311,737 to \$314,273.

**Using the Basic Financial Statements (BFS)**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities 2006	Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 6,942,391	\$ 6,543,843
Capital assets, net	<u>14,840,648</u>	<u>14,441,244</u>
Total assets	<u>21,783,039</u>	<u>20,985,087</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,480,410	5,570,606
Long-term liabilities	<u>11,205,040</u>	<u>11,452,607</u>
Total liabilities	<u>17,685,450</u>	<u>17,023,213</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,655,648	3,956,244
Restricted	985,548	1,154,385
Unrestricted (deficit)	<u>(1,543,607)</u>	<u>(1,148,755)</u>
Total net assets	<u>\$ 4,097,589</u>	<u>\$ 3,961,874</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$4,097,589. At fiscal year-end, restricted net assets were \$985,548.

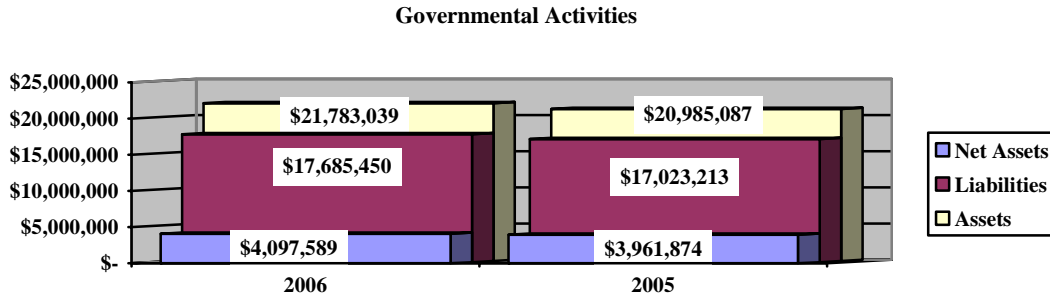
At year-end, capital assets represented 68.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$4,655,648. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$985,548, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,543,607.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities assets, liabilities and net assets for fiscal years 2006 and 2005:



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,187,180	\$ 1,148,818
Operating grants and contributions	1,062,443	1,531,357
Capital grants and contributions	19,953	12,000
General revenues:		
Property taxes	4,335,118	3,522,759
Grants and entitlements	10,011,037	9,198,934
Investment earnings	58,817	52,929
Other	137,344	131,939
Total revenues	<u>16,811,892</u>	<u>15,598,736</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,580,148	\$ 5,764,905
Special	2,450,681	2,296,088
Vocational	303,522	236,806
Other	320,826	220,414
Support services:		
Pupil	1,168,230	1,237,706
Instructional staff	133,236	241,682
Board of education	32,159	74,893
Administration	1,387,808	1,259,780
Fiscal	397,953	395,386
Operations and maintenance	1,407,166	1,495,865
Pupil transportation	1,281,424	1,212,270
Central	229,421	179,607
Operation of non-instructional:		
Food service operations	718,047	677,151
Other non-instructional	-	1,995
Extracurricular activities	726,347	709,258
Interest and fiscal charges	<u>539,209</u>	<u>554,283</u>
 Total expenses	 <u>16,676,177</u>	 <u>16,558,089</u>
 Change in net assets	 135,715	 (959,353)
Net assets at beginning of year	<u>3,961,874</u>	<u>4,921,227</u>
Net assets at end of year	<u>\$ 4,097,589</u>	<u>\$ 3,961,874</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$135,715. Total governmental expenses of \$16,676,177 were offset by program revenues of \$2,269,576 and general revenues of \$14,542,316. Program revenues supported 13.61% of the total governmental expenses.

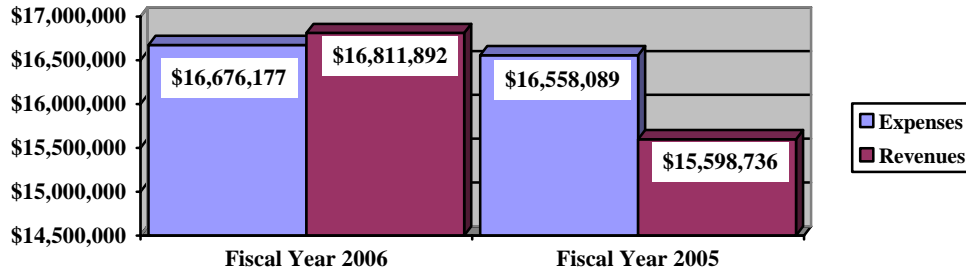
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 85.33% of total governmental revenue.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,580,148	\$ 4,813,509	\$ 5,764,905	\$ 5,242,555
Special	2,450,681	1,852,643	2,296,088	1,211,154
Vocational	303,522	303,522	236,806	176,929
Other	320,826	300,487	220,414	204,274
Support services:				
Pupil	1,168,230	1,146,339	1,237,706	1,202,849
Instructional staff	133,236	107,641	241,682	240,062
Board of education	32,159	32,159	74,893	74,893
Administration	1,387,808	1,363,272	1,259,780	1,233,459
Fiscal	397,953	397,953	395,386	395,386
Operations and maintenance	1,407,166	1,407,166	1,495,865	1,495,865
Pupil transportation	1,281,424	1,281,424	1,212,270	1,115,359
Central	229,421	223,353	179,607	173,907
Operation of non-instructional:				
Food service operations	718,047	141,877	677,151	145,298
Other non-instructional	-	-	1,995	1,995
Extracurricular activities	726,347	496,047	709,258	397,646
Interest and fiscal charges	<u>539,209</u>	<u>539,209</u>	<u>554,283</u>	<u>554,283</u>
<b>Total expenses</b>	<u>\$ 16,676,177</u>	<u>\$ 14,406,601</u>	<u>\$ 16,558,089</u>	<u>\$ 13,865,914</u>

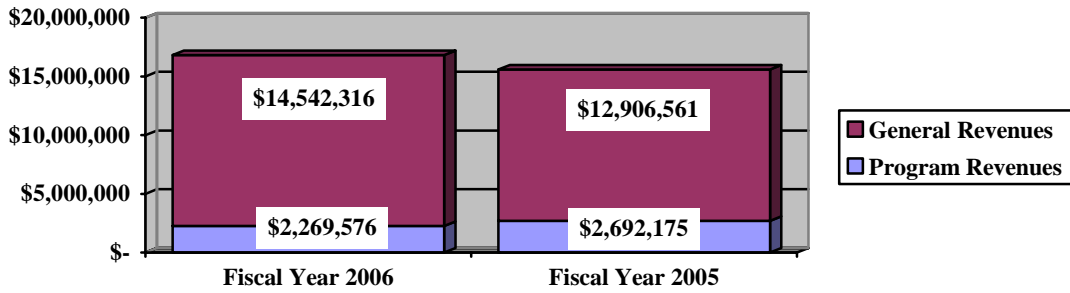
The dependence upon tax and other general revenues for governmental activities is apparent, 84.00% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.39%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$227,111, which is less than last year's balance of \$696,845. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	Increase (Decrease)
General	\$ (419,067)	\$ (44,399)	\$ (374,668)
Debt Service	314,273	311,737	2,536
Other Governmental	<u>331,905</u>	<u>429,507</u>	<u>(97,602)</u>
Total	<u>\$ 227,111</u>	<u>\$ 696,845</u>	<u>\$ (469,734)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

***General Fund***

The District's general fund balance decreased \$374,668. The decrease in fund balance can be attributed to increasing expenditures still being more than increased revenues. Expenditures were more than revenues by \$112,991. The General fund also made transfers of \$270,183 to non-major governmental funds. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,445,400	\$ 3,272,264	5.29 %
Tuition	533,333	514,700	3.62 %
Earnings on investments	46,597	50,924	(8.50) %
Intergovernmental	9,179,761	9,079,174	1.11 %
Other revenues	<u>16,837</u>	<u>30,208</u>	(44.26) %
 Total	 <u>\$ 13,221,928</u>	 <u>\$ 12,947,270</u>	 2.12 %
<b><u>Expenditures</u></b>			
Instruction	\$ 7,339,546	\$ 7,203,170	1.89 %
Support services	5,673,948	5,628,917	0.80 %
Extracurricular activities	<u>321,425</u>	<u>317,324</u>	1.29 %
 Total	 <u>\$ 13,334,919</u>	 <u>\$ 13,149,411</u>	 1.41 %

***Debt Service Fund***

The District's debt service fund balance increased \$2,536. The increase in fund balance can be attributed to increases in property tax revenue over debt service.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$13,851,770, which is less than the original budgeted revenues estimate of \$14,178,697. Actual revenues and other financing sources for fiscal 2006 was \$13,851,756, which approximates the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,332,410 were decreased to \$14,073,139 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$14,071,638, which was \$1,501 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the District had \$14,840,648, net of depreciations, invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 351,574	\$ 233,190
Construction-in-progress	377,857	-
Land improvements	400,343	401,090
Building and improvements	11,699,788	11,682,902
Furniture and equipment	1,194,449	1,319,710
Vehicles	<u>816,637</u>	<u>804,352</u>
<b>Total</b>	<b><u>\$ 14,840,648</u></b>	<b><u>\$ 14,441,244</u></b>

The overall increase in capital assets of \$399,404 is primarily due to the construction-in-progress added in 2006. Depreciation expense of \$598,951 and disposals of \$15,582 (net of accumulated depreciation) were less than capital outlays of \$1,013,937 in 2006.

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

*Debt Administration*

At June 30, 2006, the District had \$10,185,000 in general obligation bonds outstanding. Of this total, \$310,000 is due within one year and \$9,875,000 is due within greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
General obligation bonds	<b><u>\$ 10,185,000</u></b>	<b><u>\$ 10,485,000</u></b>

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

At June 30, 2006, the District's overall legal debt margin was \$7,770,363 with an unvoted debt margin of \$196,012.

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

The District relies heavily upon the state foundation program and property taxes for its operating funds. Over the past three years, the District has benefited significantly from the revised state foundation formula. Due to changes in the State Foundation Formula, it is expected that state funding for the District will remain at FY2005 levels into the foreseeable future. This will cause increased pressure on local sources of revenue and will likely result in having to pass additional local taxes in order to avoid having to make significant operational cuts over the next two or three years.

Since, it is not expected that there will be any significant increases in revenue, it will necessitate a thorough review of the District's overall program. The major program concerns at the present time are the escalating costs of special education; the potential costs of state and federally mandated educational programs; and the ability to maintain current programs at a level that will ensure the District's ability to meet state minimum standards.

The District is anticipating the completion of the various construction projects undertaken through the Ohio School Facilities Commission (OSFC). Approximately \$40.0 million in new schools and renovations are scheduled under the OSFC project. The District has completed construction of a 75,500 square foot addition to its existing high school building. This facility will serve as the District's high school and represents the local contribution (29%) to the OSFC approved construction plan.

The District has been approved for the OSFC Exceptional Needs Program for construction of two new elementary schools and site work began in FY06. A 16+ acre site adjacent to the current Jr./Sr. High School was purchased in order to relocate Utica Elementary School. The new Newton Elementary School will be built on the existing site.

Renovation of the exiting Junior High facility is expected to be funded through OSFC next fiscal year.

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,804,251
Receivables:	
Taxes . . . . .	5,006,053
Accounts . . . . .	160
Intergovernmental . . . . .	120,173
Accrued interest . . . . .	7,381
Materials and supplies inventory . . . . .	4,373
Capital assets:	
Land and construction-in-progress . . . . .	729,431
Depreciable capital assets, net . . . . .	14,111,217
Total capital assets, net . . . . .	<u>14,840,648</u>
 Total assets . . . . .	 <u>21,783,039</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	46,880
Accrued wages and benefits . . . . .	1,198,450
Pension obligation payable. . . . .	355,731
Intergovernmental payable . . . . .	88,061
Deferred revenue . . . . .	4,749,090
Accrued interest payable . . . . .	42,198
Long-term liabilities:	
Due within one year. . . . .	437,659
Due in more than one year . . . . .	10,767,381
 Total liabilities . . . . .	 <u>17,685,450</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,655,648
Restricted for:	
Debt service. . . . .	293,298
Capital projects . . . . .	547,097
Locally funded programs . . . . .	1,155
State funded programs . . . . .	10,953
Federally funded programs . . . . .	22,942
Student activities . . . . .	20,715
Other purposes . . . . .	89,388
Unrestricted (deficit) . . . . .	<u>(1,543,607)</u>
 Total net assets . . . . .	 <u>\$ 4,097,589</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,580,148	\$ 610,561	\$ 153,164	\$ 2,914	\$ (4,813,509)
Special . . . . .	2,450,681	-	598,038	-	(1,852,643)
Vocational . . . . .	303,522	-	-	-	(303,522)
Other . . . . .	320,826	-	3,300	17,039	(300,487)
Support services:					
Pupil . . . . .	1,168,230	-	21,891	-	(1,146,339)
Instructional staff . . . . .	133,236	-	25,595	-	(107,641)
Board of education . . . . .	32,159	-	-	-	(32,159)
Administration . . . . .	1,387,808	-	24,536	-	(1,363,272)
Fiscal . . . . .	397,953	-	-	-	(397,953)
Operations and maintenance . . . . .	1,407,166	-	-	-	(1,407,166)
Pupil transportation . . . . .	1,281,424	-	-	-	(1,281,424)
Central . . . . .	229,421	-	6,068	-	(223,353)
Operation of non-instructional services:					
Food service operations . . . . .	718,047	346,319	229,851	-	(141,877)
Extracurricular activities . . . . .	726,347	230,300	-	-	(496,047)
Interest and fiscal charges . . . . .	539,209	-	-	-	(539,209)
<b>Totals . . . . .</b>	<b>\$ 16,676,177</b>	<b>\$ 1,187,180</b>	<b>\$ 1,062,443</b>	<b>\$ 19,953</b>	<b>(14,406,601)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	3,408,386
Special purposes . . . . .	42,625
Debt service . . . . .	753,506
Capital projects . . . . .	130,601
Grants and entitlements not restricted	
to specific programs . . . . .	10,011,037
Investment earnings . . . . .	58,817
Miscellaneous . . . . .	137,344
<b>Total general revenues . . . . .</b>	<b>14,542,316</b>
Change in net assets . . . . .	135,715
<b>Net assets at beginning of year . . . . .</b>	<b>3,961,874</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 4,097,589</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 749,273	\$ 290,273	\$ 715,412	\$ 1,754,958
Receivables:				
Taxes . . . . .	3,883,423	834,598	288,032	5,006,053
Accounts . . . . .	-	-	160	160
Intergovernmental. . . . .	-	-	120,173	120,173
Accrued interest. . . . .	7,381	-	-	7,381
Interfund loans . . . . .	182,620	-	-	182,620
Materials and supplies inventory. . . . .	-	-	4,373	4,373
Restricted assets:				
Equity in pooled cash and cash equivalents. . . . .	49,293	-	-	49,293
Total assets . . . . .	<u>\$ 4,871,990</u>	<u>\$ 1,124,871</u>	<u>\$ 1,128,150</u>	<u>\$ 7,125,011</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 31,448	\$ -	\$ 15,432	\$ 46,880
Accrued wages and benefits . . . . .	1,041,323	-	157,127	1,198,450
Compensated absences payable . . . . .	62,286	-	-	62,286
Pension obligation payable. . . . .	298,366	-	57,365	355,731
Intergovernmental payable . . . . .	78,343	-	9,718	88,061
Interfund loan payable . . . . .	-	-	182,620	182,620
Deferred revenue . . . . .	3,779,291	810,598	373,983	4,963,872
Total liabilities . . . . .	<u>5,291,057</u>	<u>810,598</u>	<u>796,245</u>	<u>6,897,900</u>
<b>Fund Balances:</b>				
Reserved for encumbrances. . . . .	14,179	-	13,218	27,397
Reserved for materials and supplies inventory . . . . .	-	-	4,373	4,373
Reserved for property tax unavailable for appropriation. . . . .	105,600	24,000	5,400	135,000
Reserved for debt service. . . . .	-	290,273	-	290,273
Reserved for BWC refunds. . . . .	49,293	-	-	49,293
Unreserved, undesignated (deficit), reported in:				
General fund. . . . .	(588,139)	-	-	(588,139)
Special revenue funds . . . . .	-	-	(224,701)	(224,701)
Capital projects funds . . . . .	-	-	533,615	533,615
Total fund balances (deficit) . . . . .	<u>(419,067)</u>	<u>314,273</u>	<u>331,905</u>	<u>227,111</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,871,990</u>	<u>\$ 1,124,871</u>	<u>\$ 1,128,150</u>	<u>\$ 7,125,011</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$ 227,111
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,840,648
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 121,963	
Intergovernmental revenue	91,351	
Interest revenue	1,468	
Total		214,782
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(42,198)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(10,185,000)	
Compensated absences	(957,754)	
Total		(11,142,754)
<b>Net assets of governmental activities</b>		<b>\$ 4,097,589</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,445,400	\$ 764,952	\$ 175,874	\$ 4,386,226
Tuition. . . . .	533,333	-	-	533,333
Charges for services. . . . .	-	-	346,319	346,319
Earnings on investments . . . . .	46,597	-	14,593	61,190
Extracurricular. . . . .	-	-	230,300	230,300
Classroom materials and fees . . . . .	448	-	65,655	66,103
Other local revenues. . . . .	16,389	-	132,230	148,619
Intergovernmental - Intermediate . . . . .	-	-	445	445
Intergovernmental - State . . . . .	9,179,761	95,437	843,248	10,118,446
Intergovernmental - Federal. . . . .	-	-	964,404	964,404
Total revenues . . . . .	<u>13,221,928</u>	<u>860,389</u>	<u>2,773,068</u>	<u>16,855,385</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,010,505	-	240,513	5,251,018
Special. . . . .	1,736,488	-	702,883	2,439,371
Vocational. . . . .	287,178	-	-	287,178
Other . . . . .	305,375	-	6,671	312,046
Support Services:				
Pupil. . . . .	1,116,637	-	49,395	1,166,032
Instructional staff . . . . .	150,982	-	9,438	160,420
Board of education . . . . .	32,159	-	-	32,159
Administration. . . . .	1,330,238	-	34,639	1,364,877
Fiscal . . . . .	368,661	14,613	3,351	386,625
Operations and maintenance. . . . .	1,314,818	-	49,754	1,364,572
Pupil transportation . . . . .	1,142,208	-	125,012	1,267,220
Central. . . . .	218,245	-	11,176	229,421
Operation of non-instructional services:				
Food service operations . . . . .	-	-	665,888	665,888
Extracurricular activities. . . . .	321,425	-	358,646	680,071
Facilities acquisition and construction . . . . .	-	-	883,653	883,653
Debt service:				
Principal retirement . . . . .	-	300,000	-	300,000
Interest and fiscal charges . . . . .	-	543,240	-	543,240
Total expenditures . . . . .	<u>13,334,919</u>	<u>857,853</u>	<u>3,141,019</u>	<u>17,333,791</u>
Excess of revenues over (under) expenditures . . . . .	<u>(112,991)</u>	<u>2,536</u>	<u>(367,951)</u>	<u>(478,406)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	318,812	318,812
Transfers (out). . . . .	(270,183)	-	(48,629)	(318,812)
Sale of capital assets. . . . .	8,506	-	-	8,506
Total other financing sources (uses) . . . . .	<u>(261,677)</u>	<u>-</u>	<u>270,183</u>	<u>8,506</u>
Net change in fund balances . . . . .	(374,668)	2,536	(97,768)	(469,900)
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	(44,399)	311,737	429,507	696,845
Increase in reserve for inventory. . . . .	-	-	166	166
<b>Fund balances (deficits) at end of year. . . . .</b>	<u>\$ (419,067)</u>	<u>\$ 314,273</u>	<u>\$ 331,905</u>	<u>\$ 227,111</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<b>Net change in fund balances - total governmental funds</b>	\$	(469,900)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceed depreciation expense in the current period accordingly.		
Capital asset additions	\$ 1,013,937	
Current year depreciation	<u>(598,951)</u>	
Total		414,986
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(15,582)
Governmental funds report expenditures for inventory when purchased, however, on the statement of activities they are reported as an expense when consumed.		
		166
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(51,108)	
Intergovernmental	9,988	
Accrued interest	<u>(2,373)</u>	
Total		(43,493)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		300,000
On the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		4,031
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(54,493)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>135,715</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,681,655	\$ 3,596,801	\$ 3,596,800	\$ (1)
Tuition. . . . .	545,916	533,334	533,333	(1)
Earnings on investments. . . . .	30,977	30,263	30,263	-
Classroom materials and fees . . . . .	465	454	453	(1)
Other local revenues. . . . .	16,776	16,390	16,389	(1)
Intergovernmental - state . . . . .	9,397,455	9,180,865	9,180,855	(10)
Total revenue . . . . .	<u>13,673,244</u>	<u>13,358,107</u>	<u>13,358,093</u>	<u>(14)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,123,274	5,030,645	5,030,108	537
Special. . . . .	1,758,015	1,726,230	1,726,045	185
Vocational. . . . .	285,878	280,709	280,679	30
Other . . . . .	254,203	249,607	249,580	27
Support Services:				
Pupil. . . . .	1,142,877	1,122,214	1,122,094	120
Instructional staff . . . . .	204,833	201,130	201,108	22
Board of education . . . . .	32,813	32,220	32,217	3
Administration. . . . .	1,376,128	1,351,247	1,351,103	144
Fiscal . . . . .	379,031	372,178	372,138	40
Operations and maintenance. . . . .	1,371,757	1,346,955	1,346,811	144
Pupil transportation . . . . .	1,176,013	1,154,751	1,154,628	123
Central. . . . .	212,961	209,111	209,089	22
Extracurricular activities. . . . .	327,827	321,900	321,866	34
Total expenditures . . . . .	<u>13,645,610</u>	<u>13,398,897</u>	<u>13,397,466</u>	<u>1,431</u>
Excess of revenues over (under) expenditures. . . . .	<u>27,634</u>	<u>(40,790)</u>	<u>(39,373)</u>	<u>1,417</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	59,825	58,446	58,446	-
Refund of prior year receipts . . . . .	(421)	(273)	(273)	-
Transfers in . . . . .	226,312	221,096	221,096	-
Transfers (out) . . . . .	(500,376)	(491,329)	(491,279)	50
Advances in. . . . .	210,609	205,615	205,615	-
Advances (out) . . . . .	(186,003)	(182,640)	(182,620)	20
Sale of capital assets. . . . .	8,707	8,506	8,506	-
Total other financing sources (uses) . . . . .	<u>(181,347)</u>	<u>(180,579)</u>	<u>(180,509)</u>	<u>70</u>
Net change in fund balance . . . . .	(153,713)	(221,369)	(219,882)	1,487
<b>Fund balance at beginning of year . . . . .</b>	779,322	779,322	779,322	-
<b>Prior year encumbrances appropriated . .</b>	196,262	196,262	196,262	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 821,871</u>	<u>\$ 754,215</u>	<u>\$ 755,702</u>	<u>\$ 1,487</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 8,233	\$ 45,404
Total assets . . . . .	<u>8,233</u>	<u>\$ 45,404</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 63
Due to students . . . . .	-	45,341
Total liabilities . . . . .	<u>-</u>	<u>\$ 45,404</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>8,233</u>	
Total net assets . . . . .	<u>\$ 8,233</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 309
Gifts and contributions. . . . .	1,350
	1,659
Total additions. . . . .	1,659
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,000
	(341)
Change in net assets . . . . .	(341)
<b>Net assets at beginning of year . . . . .</b>	<b>8,574</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 8,233</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 156 square miles. It is located in Licking and Knox Counties, and includes all of the Villages of Utica and St. Louisville, a portion of the City of Newark, all of McKean, Newton, and Washington Townships; and portions of Burlington, Eden, and Mary Ann Townships in Licking County. It also includes all of the Village of Martinsburg and parts of Morgan and Clay Townships. The District is the 296th largest in the state of Ohio among 615 districts in terms of enrollment. It is staffed by 128 certificated personnel and 110 non-certificated employees who provide services to 1,886 students and other community members. The District currently operates 5 instructional buildings, 1 administrative building, and 1 bus maintenance garage.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Licking Area Computer Association (LACA)

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

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

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

Metropolitan Educational Council ("MEC")

MEC was established under Chapter 167 of the Ohio Revised Code as a regional council of governments. Under Ohio Revised Code Section 2744.081, MEC established the MEC Liability, Fleet and Property Insurance Program (the "Program"), an insurance purchasing pool. The pool allows member districts to pool resources to purchase group insurance products at a lower rate than if the individual districts acted independently. The Program provides insurance protection, risk management programs and other administrative services. The Program is governed by a seven member Board of Trustees consisting of superintendents, treasurers and business managers. Specialty Claims Services, Inc. is responsible for processing claims. March, Inc. serves as the Plan's administrator, sales representative, and marketing representative which establishes agreements between the Program and its members. Financial information can be obtained from Elmo Kallner, who serves as administrator, at MEC, 2100 City Gate Drive, Columbus, OH 43219-3566.

Central Ohio Special Education Regional Resource Center

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**D. Basis of Accounting**

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

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

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

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

**E. Budgets**

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

Tax Budget:

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

The District has invested funds in the State Asset Treasury Reserve of Ohio (STAR Ohio) during fiscal 2006. 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, 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$46,597, which includes \$19,251 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2006, net assets restricted by enabling legislation was zero in the statement of net assets.

**N. Estimates**

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

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for BWC refunds. See Note 16 for additional information regarding set-asides.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**P. Interfund Activity**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
General Fund	\$ 419,067
 <u>Nonmajor Funds</u>	
Food Service	21,612
Ohio Reads	9,576
Student Intervention	2,864
IDEA, Part B, Special Education	72,747
Title I, Disadvantaged Children	82,468
Title V - Innovative Education Programs	422
Improving Teacher Quality	20,267
Miscellaneous Federal Grants	141,539

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Cash on Hand**

At year-end, the District had \$20 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$1,824,013. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,579,917 of the District's bank balance of \$1,943,929 was exposed to custodial risk as discussed below, while \$364,012 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Star Ohio	\$ 33,855	\$ 33,855

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio and AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 33,855	100.00
	<u>\$ 33,855</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,824,013
Investments	33,855
Cash on hand	<u>20</u>
Total	<u>\$ 1,857,888</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,804,251
Private-purpose trust funds	8,233
Agency funds	<u>45,404</u>
Total	<u>\$ 1,857,888</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2006, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 182,620

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 270,183
Nonmajor governmental funds	<u>48,629</u>
Total transfers	<u>\$ 318,812</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District transferred \$48,629 of remaining locally funded monies from the Building fund to the Ohio School Facilities Commission construction fund. All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Licking and Knox Counties. The County Auditors periodically advance to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advance at June 30, 2006 was \$105,600 in the general fund, \$24,000 in the debt service fund, and \$5,400 in the Permanent Improvement capital projects fund. The amount that was available as advance at June 30, 2005 was \$257,000 in the general fund, \$63,800 in the debt service fund, and \$14,200 in the Permanent Improvement capital projects fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 154,369,900	88.40	\$ 174,308,650	88.93
Public Utility Personal	14,625,860	8.38	14,717,000	7.51
Tangible Personal Property	<u>5,628,880</u>	<u>3.22</u>	<u>6,986,450</u>	<u>3.56</u>
Total	<u>\$ 174,624,640</u>	<u>100.00</u>	<u>\$ 196,012,100</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.17		\$ 34.34	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental Activities:</b>	
Taxes	\$ 5,006,053
Accounts	160
Intergovernmental	120,173
Accrued interest	<u>7,381</u>
Total	<u>\$ 5,133,767</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 233,190	\$ 118,384	\$ -	\$ 351,574
Construction-in-progress	-	377,857	-	377,857
Total capital assets, not being depreciated	<u>233,190</u>	<u>496,241</u>	<u>-</u>	<u>729,431</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	518,151	30,100	-	548,251
Building and improvements	14,701,143	303,356	-	15,004,499
Furniture and equipment	3,244,305	39,260	-	3,283,565
Vehicles	1,630,623	144,980	(112,878)	1,662,725
Total capital assets, being depreciated	<u>20,094,222</u>	<u>517,696</u>	<u>(112,878)</u>	<u>20,499,040</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(117,061)	(30,847)	-	(147,908)
Building and improvements	(3,018,241)	(286,470)	-	(3,304,711)
Furniture and equipment	(1,924,595)	(164,521)	-	(2,089,116)
Vehicles	(826,271)	(117,113)	97,296	(846,088)
Total accumulated depreciation	<u>(5,886,168)</u>	<u>(598,951)</u>	<u>97,296</u>	<u>(6,387,823)</u>
Governmental activities capital assets, net	<u>\$ 14,441,244</u>	<u>\$ 414,986</u>	<u>\$ (15,582)</u>	<u>\$ 14,840,648</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 295,426
Special	4,468
Vocational	15,614
Other	18,426
<u>Support services:</u>	
Pupil	3,487
Instructional staff	5,913
Administration	10,346
Fiscal	727
Operations and maintenance	21,291
Pupil transportation	129,856
<u>Operation of non-instructional services:</u>	
Food service operations	45,321
Extracurricular activities	48,076
Total depreciation expense	<u>\$ 598,951</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amount
	<u>06/30/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>06/30/06</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	\$ 967,607	\$ 129,930	\$ (77,497)	\$ 1,020,040	\$ 127,659
General obligation bonds	<u>10,485,000</u>	<u>-</u>	<u>(300,000)</u>	<u>10,185,000</u>	<u>310,000</u>
Total	<u>\$ 11,452,607</u>	<u>\$ 129,930</u>	<u>\$ (377,497)</u>	<u>\$ 11,205,040</u>	<u>\$ 437,659</u>

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

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

- B. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2006, are as follows:

Fiscal Year Ended	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 310,000	\$ 531,115	\$ 841,115
2008	325,000	518,171	843,171
2009	335,000	504,141	839,141
2010	350,000	489,068	839,068
2011	365,000	472,975	837,975
2012 - 2016	2,110,000	2,074,057	4,184,057
2017 - 2021	2,765,000	1,399,845	4,164,845
2022 - 2026	<u>3,625,000</u>	<u>519,613</u>	<u>4,144,613</u>
Total	<u>\$ 10,185,000</u>	<u>\$ 6,508,985</u>	<u>\$ 16,693,985</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$7,770,362 (including available funds of \$314,273) and an unvoted debt margin of \$196,012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

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

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2006, the District participated in the MEC Liability, Fleet and Property Insurance Program (see Note 2.A.). The program provides coverage for the group through excess liability for \$250,000,000. The following is the District's insurance coverage obtained through the group purchasing program:

Total policy coverage - includes the following:	
Building and Contents (\$2,500 deductible)	\$19,783,823
Uninsured/underinsured motorist	1,000,000
Medical payments	5,000
Public Employee Dishonesty	500,000
General school district liability	
Per occurrence	1,000,000
Aggregate	3,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Employee Health Benefits**

The District provides health and prescription insurance through United Health Care and dental insurance through CoreSource/Oasis Trust for all eligible employees. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2006, the District cost for paid premium for medical and dental was \$505.00 and \$45.00 for family coverage and \$394.46 and \$34.36 for single coverage, per month, respectively.

**C. OSBA Group Workers' Compensation Group Rating Plan**

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion 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 the SERS' Retirement Board. The District's required contributions to SERS for pension obligations and health care benefits, for the fiscal years ended June 30, 2006, 2005, and 2004 were \$245,577, \$236,354, and \$189,954, respectively; 46% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$132,419 represents the unpaid contribution for fiscal year 2006.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions, for pension obligations and health care benefits, to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$837,934, \$810,556, and \$759,391, respectively; 84% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$135,924 represents the unpaid contribution for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,516 made by the District and \$4,632 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/ STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$64,456 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS Ohio were \$254.780 million and STRS Ohio had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$112,745 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Budget basis	\$ (219,882)
Net adjustment for revenue accruals	(136,165)
Net adjustment for expenditure accruals	19,683
Net adjustment for other sources/uses	(81,168)
Adjustment for encumbrances	42,864
GAAP basis	\$ (374,668)

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for BWC refunds. At June 30, 2006, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 16 - STATUTORY RESERVES - (Continued)**

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ (302,979)	\$ (11,880,741)	\$ 49,293
Current year set-aside requirement	264,666	264,666	-
Offsets	-	(142,049)	-
Qualifying disbursements	<u>(199,203)</u>	<u>(207,933)</u>	<u>-</u>
Total	<u>\$ (237,516)</u>	<u>\$ (11,966,057)</u>	<u>\$ 49,293</u>
Balance carried forward to FY 2007	<u>\$ (237,516)</u>	<u>\$ (11,880,741)</u>	<u>\$ 49,293</u>

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

A schedule of the restricted assets at June 30, 2006 follows:

Amount restricted for BWC refunds	<u>\$ 49,293</u>
Total restricted assets	<u>\$ 49,293</u>

## **SUPPLEMENTAL DATA**

**NORTH FORK LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(F) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(F) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
(A) Food Donation	10.550	N/A	\$ -	\$ 30,039	\$ -	\$ 30,039
<b>Nutrition Cluster:</b>						
(B) (C) School Breakfast Program	10.553	048025-05PU-2005	6,695	-	6,695	-
(B) (C) School Breakfast Program	10.553	048025-05PU-2006	21,337	-	21,337	-
(B) (C) National School Lunch Program	10.555	048025-LLP4-2005	46,913	-	46,913	-
(B) (C) National School Lunch Program	10.555	048025-LLP4-2006	142,337	-	142,337	-
<b>Total Nutrition Cluster</b>			<u>217,282</u>	<u>-</u>	<u>217,282</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>217,282</u>	<u>30,039</u>	<u>217,282</u>	<u>30,039</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
Title I Grants to Local Educational Agencies	84.010	048025-C1S1-2005	3,289		78,876	
Title I Grants to Local Educational Agencies	84.010	048025-C1S1-2006	212,130		224,702	
<b>Total Title I Grants to Local Educational Agencies</b>			<u>215,419</u>		<u>303,578</u>	
Special Education Grants to States	84.027	048025-6BSF-2005	32,763		94,796	
Special Education Grants to States	84.027	048025-6BSF-2006	326,558		320,422	
<b>Total Special Education Grants to States</b>			<u>359,321</u>		<u>415,218</u>	
(D) Safe and Drug-Free Schools and Communities State Grants	84.186	048025-DRS1-2002	(413)		-	
Safe and Drug-Free Schools and Communities State Grants	84.186	048025-DRS1-2005	17,041		-	
Safe and Drug-Free Schools and Communities State Grants	84.186	048025-DRS1-2006	4,611		4,354	
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>21,239</u>		<u>4,354</u>	
State Grants for Innovative Programs	84.298	048025-C2S1-2006	5,301		5,709	
(E) Education Technology State Grants	84.318	048025-TJS1-2005	(1,198)		-	
Education Technology State Grants	84.318	048025-TJS1-2006	1,198		1,251	
<b>Total Educational Technology State Grants</b>			<u>-</u>		<u>1,251</u>	
Comprehensive School Reform Demonstrator	84.332	048025-RFCC-2006	49,720		65,118	
Improving Teacher Quality State Grants	84.367	048025-TRS1-2005	-		14,031	
Improving Teacher Quality State Grants	84.367	048025-TRS1-2006	70,344		42,459	
<b>Total Improving Teacher Quality State Grants</b>			<u>70,344</u>		<u>56,490</u>	
<b>Total U.S. Department of Education</b>			<u>721,344</u>		<u>851,718</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 938,626</u>	<u>\$ 30,039</u>	<u>\$ 1,069,000</u>	<u>\$ 30,039</u>

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
 (B) Included as part of "Nutrition Grant Cluster" in determining major programs  
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on first-in, first-out basis.  
 (D) Amount of \$413 transferred to the next grant year based on Ohio Department of Education administrative action  
 (E) Amount of \$1,198 transferred to the next grant year based on Ohio Department of Education administrative action  
 (F) This schedule was prepared on the cash basis of accounting



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
North Fork Local School District  
312 Maple Avenue  
Utica, Ohio 43080

We have audited the financial statements of the governmental activities, each major fund, and the remaining aggregate fund information of the North Fork Local School District, as of and for the fiscal year ended June 30, 2006, which collectively comprise the North Fork Local School District's basic financial statements, and have issued our report thereon dated January 25, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North Fork Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of North Fork Local School District in a separate letter dated January 25, 2007.



Board of Education  
North Fork Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Fork Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of North Fork Local School District, in a separate letter dated January 25, 2007.

This report is intended solely for the information and use of management and the Board of the North Fork Local School District, 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 cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
January 25, 2007



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its  
Major Federal Program and on Internal Control Over  
Compliance in Accordance With *OMB Circular A-133***

Board of Education  
North Fork Local School District  
312 Maple Avenue  
Utica, Ohio 43080

Compliance

We have audited the compliance of the North Fork Local School 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 fiscal year ended June 30, 2006. The North Fork Local School 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 North Fork Local School District's management. Our responsibility is to express an opinion on the North Fork Local School 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, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North Fork Local School 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 North Fork Local School District's compliance with those requirements.

Board of Education  
North Fork Local School District

In our opinion, the North Fork Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of the North Fork Local School 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 North Fork Local School District's internal control over compliance with requirements that could have a direct and material effect on its 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.

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 reportable 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 caused by error or fraud that would be material in relation to its 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 solely for the information and use of the management, the Board of the North Fork Local School District, 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.



Julian & Grube, Inc.  
January 25, 2007

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

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

None

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2005 - 001	Ohio Revised Code Section 5705.10 requires that money paid into any fund shall be used only after such fund receives moneys to cover expenditures.	Yes	N/A
2005 - 002	Ohio Revised Code Section 5705.41(D)(1) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer.	No	Citation now located in Management Letter





**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**APRIL 5, 2007**