



Dave Yost • Auditor of State



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Dover City School District  
Tuscarawas County  
219 West Sixth Street  
Dover, Ohio 44622

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2014, the School District adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 14, 2015

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**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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The discussion and analysis of the Dover City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2014 are as follows:

- Net position increased \$1,002,524, which represents a 6.82 percent increase from 2013.
- Capital assets increased \$178,101 during fiscal year 2014.
- During the year, outstanding debt decreased from \$2,613,209 to \$2,000,000 due to principal payments made by the School District.

***Using this Annual Report***

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Dover City School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

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

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

***Governmental Funds*** Most of the School 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

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

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

**Table 1**  
**Net Position**

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and Other Assets	\$ 25,496,044	\$ 24,677,459
Capital Assets	8,679,212	8,501,111
<i>Total Assets</i>	34,175,256	33,178,570
<b>Liabilities</b>		
Other Liabilities	3,923,300	3,899,485
Long-Term Liabilities	3,917,853	4,437,738
<i>Total Liabilities</i>	7,841,153	8,337,223
<b>Deferred Inflows of Resources</b>	10,627,112	10,136,880
<b>Net Position</b>		
Net Investment		
in Capital Assets	6,579,896	6,133,939
Restricted	1,536,635	1,423,270
Unrestricted	7,590,460	7,147,258
<i>Total Net Position</i>	\$ 15,706,991	\$ 14,704,467

At year end, capital assets represented 25.40 percent of total assets. Capital assets include land, buildings and building improvements, improvements other than buildings, furniture and fixtures and vehicles. Net investment in capital assets was \$6,579,896 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School 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 School District's net position, \$1,536,635 or 9.78 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$7,590,460 may be used to meet the government's ongoing obligations to students and creditors.

Long-term liabilities decreased \$519,885, primarily due to principal payments on debt paid by the School District in fiscal year 2014.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2014	2013
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,054,762	\$ 1,044,644
Operating Grants	1,916,308	1,838,191
Capital Grants	635,138	0
<i>Total Program Revenues</i>	<u>3,606,208</u>	<u>2,882,835</u>
<i>General Revenues:</i>		
Property Taxes	11,585,637	11,749,105
Grants and Entitlements Not Restricted	10,013,013	9,397,618
Other	26,149	118,018
<i>Total General Revenues</i>	<u>21,624,799</u>	<u>21,264,741</u>
<i>Total Revenues</i>	<u>25,231,007</u>	<u>24,147,576</u>
<b>Program Expenses</b>		
Instruction:		
Regular	12,080,787	11,424,739
Special	2,555,858	2,109,736
Vocational	32,981	33,750
Student Intervention Services	296,477	306,393
Other	252,889	235,793
Support Services:		
Pupils	718,348	984,882
Instructional Staff	445,468	1,150,576
Board of Education	69,502	57,408
Administration	2,079,048	1,765,099
Fiscal	682,060	672,868
Operation and Maintenance of Plant	1,921,650	2,000,881
Pupil Transportation	828,718	710,693
Operation of Non-Instructional Services:		
Food Service Operations	872,997	790,106
Community Services	129,005	164,022
Extracurricular Activities	1,150,176	1,049,892
Debt Service:		
Interest and Fiscal Charges	112,519	173,981
<i>Total Expenses</i>	<u>24,228,483</u>	<u>23,630,819</u>
<i>Increase (Decrease) in Net Position</i>	1,002,524	516,757
<i>Net Position at Beginning of Year</i>	<u>14,704,467</u>	<u>14,187,710</u>
<i>Net Position at End of Year</i>	<u>\$ 15,706,991</u>	<u>\$ 14,704,467</u>

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Fluctuations between Instruction and Support Services expenses can be attributed to the re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. The expenditure standards revisions addressed operating expenditures and classroom instruction versus non-classroom expenditures.

The increase in capital grants can be attributed to several donations made to the School District, mainly the donation of the football field turf. Grants and entitlements not restricted increased due to an increase in state foundation revenue received during the fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
<b>Instruction:</b>				
Regular	\$ 12,080,787	\$ 11,424,739	\$ 11,507,516	\$ 10,859,201
Special	2,555,858	2,109,736	2,000,023	1,975,182
Vocational	32,981	33,750	32,981	33,750
Student Intervention Services	296,477	306,393	95,713	117,851
Other	252,889	235,793	102,176	58,841
<b>Support Services:</b>				
Pupils	718,348	984,882	716,997	949,893
Instructional Staff	445,468	1,150,576	439,566	777,467
Board of Education	69,502	57,408	69,502	57,408
Administration	2,079,048	1,765,099	1,981,413	1,710,551
Fiscal	682,060	672,868	682,060	672,868
Operation and Maintenance of Plant	1,921,650	2,000,881	1,912,650	1,991,881
Pupil Transportation	828,718	710,693	821,155	680,592
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	872,997	790,106	(6,254)	(14,954)
Community Services	129,005	164,022	(7,229)	10,702
Extracurricular Activities	1,150,176	1,049,892	161,487	692,770
<b>Debt Service:</b>				
Interest and Fiscal Charges	112,519	173,981	112,519	173,981
<i>Total Expenses</i>	<u>\$ 24,228,483</u>	<u>\$ 23,630,819</u>	<u>\$ 20,622,275</u>	<u>\$ 20,747,984</u>

The dependence upon general revenues for governmental activities is apparent. Nearly 90 percent of governmental activities are supported through taxes and other general revenues; such revenues are 86 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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***Governmental Funds***

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,752,307 and expenditures of \$25,036,975 for the fiscal year. The net change in fund balances for the fiscal year was a decrease of \$284,668 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2014 was a decrease of \$485,427. The decrease in fund balance can mostly be attributed to an increase in salaries and wages for regular instruction.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$21,282,203, excluding other financing sources, was lower than the final budget basis revenue by \$15,518. Final budget basis revenue was \$499,304 higher than original budget revenues due to the higher than anticipated state foundation revenue.

Final appropriations of \$22,294,189, excluding other financing uses, were \$417,327 higher than the actual expenditures of \$21,876,862, as cost savings were recognized for instruction and student support services throughout the year.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the School District had \$8,679,212 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 517,106	\$ 517,106
Buildings and Building Improvements	7,224,794	6,906,941
Improvements Other Than Buildings	94,289	104,657
Furniture and Fixtures	497,123	557,501
Vehicles	345,900	414,906
<i>Totals</i>	<u>\$ 8,679,212</u>	<u>\$ 8,501,111</u>

The \$178,101 increase in capital assets was attributable to current year additions exceeding depreciation. See Note 7 for more information about the capital assets of the School District.

**Debt**

At June 30, 2014, the School District had \$2,000,000 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2014	2013
2004 School Improvement Refunding Bonds	\$ 2,000,000	\$ 2,000,000
Capital Appreciation Bonds	0	237,453
Accretion on Capital Appreciation Bonds	0	375,756
<i>Total</i>	<u>\$ 2,000,000</u>	<u>\$ 2,613,209</u>

**Current Issues**

The Dover City School District continues to receive strong support from the residents of the District. As the preceding information shows, the School District relies heavily on its local property taxpayers. An emergency operating levy was passed in March 2008 and began collecting in 2009. This levy and a previous one were renewed in 2012 for an additional ten more years.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 45.92 percent of revenues for governmental activities for the Dover City School District in fiscal year 2014.

The School District has also been affected by increased delinquency rates, changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for longer than it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brenda Hurst, Treasurer of Dover City School District, 219 West Sixth Street, Dover, OH 44622 or HurstB@dovertornadoes.com.



**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Net Position*  
*June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 10,861,550
Cash and Cash Equivalents with Fiscal Agent	2,216,845
Receivables:	
Accounts	7,151
Intergovernmental	218,937
Property Taxes	12,191,561
Nondepreciable Capital Assets	517,106
Depreciable Capital Assets (Net)	8,162,106
<i>Total Assets</i>	34,175,256
<b>Liabilities</b>	
Accounts Payable	207,320
Accrued Wages and Benefits	2,701,810
Intergovernmental Payable	496,900
Accrued Vacation Leave Payable	32,201
Matured Compensated Absences Payable	15,520
Accrued Interest Payable	6,725
Claims Payable	462,824
Long Term Liabilities:	
Due Within One Year	776,549
Due In More Than One Year	3,141,304
<i>Total Liabilities</i>	7,841,153
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	10,627,112
<b>Net Position</b>	
Net Investment in Capital Assets	6,579,896
Restricted For:	
Capital Outlay	482,762
Debt Service	674,063
Other Purposes	379,810
Unrestricted	7,590,460
<i>Total Net Position</i>	\$ 15,706,991

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 12,080,787	\$ 127,916	\$ 435,359	\$ 9,996	\$ (11,507,516)
Special	2,555,858	0	555,835	0	(2,000,023)
Vocational	32,981	0	0	0	(32,981)
Student Intervention Services	296,477	0	200,764	0	(95,713)
Other	252,889	150,713	0	0	(102,176)
Support Services:					
Pupils	718,348	0	1,351	0	(716,997)
Instructional Staff	445,468	0	5,902	0	(439,566)
Board of Education	69,502	0	0	0	(69,502)
Administration	2,079,048	0	97,635	0	(1,981,413)
Fiscal	682,060	0	0	0	(682,060)
Operation and Maintenance of Plant	1,921,650	0	9,000	0	(1,912,650)
Pupil Transportation	828,718	4,312	3,251	0	(821,155)
Operation of Non-Instructional Services:					
Food Service Operations	872,997	411,572	467,679	0	6,254
Community Services	129,005	0	136,234	0	7,229
Extracurricular Activities	1,150,176	360,249	3,298	625,142	(161,487)
Debt Service:					
Interest and Fiscal Charges	112,519	0	0	0	(112,519)
<b>Total</b>	<b>\$ 24,228,483</b>	<b>\$ 1,054,762</b>	<b>\$ 1,916,308</b>	<b>\$ 635,138</b>	<b>(20,622,275)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,938,511
Debt Service	531,553
Capital Outlay	115,573
Grants and Entitlements Not Restricted to Specific Programs	10,013,013
Investment Earnings	8,724
Miscellaneous	17,425

*Total General Revenues*

21,624,799

*Change in Net Position*

1,002,524

*Net Position Beginning of Year*

14,704,467

*Net Position End of Year*

\$ 15,706,991

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 9,076,887	\$ 1,784,663	\$ 10,861,550
Receivables:			
Accounts	7,091	60	7,151
Interfund	205,054	0	205,054
Intergovernmental	8,378	210,559	218,937
Property Taxes	11,537,634	653,927	12,191,561
Due from Other Funds	3,704	0	3,704
<i>Total Assets</i>	<u>\$ 20,838,748</u>	<u>\$ 2,649,209</u>	<u>\$ 23,487,957</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 165,224	\$ 42,096	\$ 207,320
Accrued Wages and Benefits	2,471,127	230,683	2,701,810
Intergovernmental Payable	477,377	19,523	496,900
Matured Compensated Absences Payable	15,520	0	15,520
Interfund Payable	0	205,054	205,054
Due to Other Funds	0	3,704	3,704
<i>Total Liabilities</i>	<u>3,129,248</u>	<u>501,060</u>	<u>3,630,308</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	10,057,099	570,013	10,627,112
Unavailable Revenue	368,373	20,404	388,777
<i>Total Deferred Inflows of Resources</i>	<u>10,425,472</u>	<u>590,417</u>	<u>11,015,889</u>
<b>Fund Balances</b>			
Restricted	0	1,566,211	1,566,211
Assigned	883,379	0	883,379
Unassigned	6,400,649	(8,479)	6,392,170
<i>Total Fund Balances</i>	<u>7,284,028</u>	<u>1,557,732</u>	<u>8,841,760</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 20,838,748</u>	<u>\$ 2,649,209</u>	<u>\$ 23,487,957</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2014*

<b>Total Governmental Fund Balances</b>		\$ 8,841,760
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,679,212
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 380,399	
Intergovernmental	<u>8,378</u>	
Total		388,777
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,754,021
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(6,725)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(2,000,000)	
Capital Lease Payable	(99,316)	
Accrued Vacation Payable	(32,201)	
Compensated Absences	<u>(1,818,537)</u>	
Total		<u>(3,950,054)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 15,706,991</u></u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 11,002,380	\$ 651,608	\$ 11,653,988
Intergovernmental	9,817,603	2,248,484	12,066,087
Investment Income	3,990	447	4,437
Tuition and Fees	132,153	0	132,153
Extracurricular Activities	150,713	360,249	510,962
Charges for Services	0	353,888	353,888
Contributions and Donations	0	13,291	13,291
Miscellaneous	14,128	3,373	17,501
<i>Total Revenues</i>	<u>21,120,967</u>	<u>3,631,340</u>	<u>24,752,307</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	11,731,030	476,946	12,207,976
Special	2,117,848	560,147	2,677,995
Vocational	32,981	0	32,981
Student Intervention Services	93,220	190,476	283,696
Other	257,207	0	257,207
Support Services:			
Pupils	732,826	1,360	734,186
Instructional Staff	481,737	5,943	487,680
Board of Education	69,502	0	69,502
Administration	2,010,744	24,192	2,034,936
Fiscal	637,395	15,584	652,979
Operation and Maintenance of Plant	1,942,724	39,925	1,982,649
Pupil Transportation	774,119	3,171	777,290
Extracurricular Activities	689,625	379,539	1,069,164
Operation of Non-Instructional Services:			
Food Service Operations	0	862,189	862,189
Community Services	0	150,414	150,414
Debt Service:			
Principal Retirement	30,403	237,453	267,856
Interest and Fiscal Charges	5,033	483,242	488,275
<i>Total Expenditures</i>	<u>21,606,394</u>	<u>3,430,581</u>	<u>25,036,975</u>
<i>Net Change in Fund Balance</i>	(485,427)	200,759	(284,668)
<i>Fund Balances Beginning of Year</i>	<u>7,769,455</u>	<u>1,356,973</u>	<u>9,126,428</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,284,028</u>	<u>\$ 1,557,732</u>	<u>\$ 8,841,760</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (284,668)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

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. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 640,978	
Current Year Depreciation	<u>(462,877)</u>	178,101

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(68,352)	
Intergovernmental	<u>(88,445)</u>	(156,797)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Principal	237,453	
Accretion on CABs	402,547	
Capital Lease	<u>30,403</u>	670,403

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

753,037

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Vacation Payable	(7,034)	
Compensated Absences	<u>(123,727)</u>	(130,761)

Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.

(26,791)

*Change in Net Position of Governmental Activities*

\$ 1,002,524

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 11,117,948	\$ 11,350,000	\$ 11,376,559	\$ 26,559
Intergovernmental	9,594,430	9,675,321	9,817,603	142,282
Investment Income	4,108	4,400	4,204	(196)
Tuition and Fees	28,040	58,000	28,692	(29,308)
Charges for Services	0	100,000	0	(100,000)
Contributions and Donations	0	25,000	0	(25,000)
Miscellaneous	53,891	85,000	55,145	(29,855)
<i>Total Revenues</i>	<u>20,798,417</u>	<u>21,297,721</u>	<u>21,282,203</u>	<u>(15,518)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,900,386	11,769,241	11,680,775	88,466
Special	2,166,945	2,070,474	2,126,956	(56,482)
Vocational	34,600	34,120	33,961	159
Student Intervention Services	108,007	132,731	106,014	26,717
Other	116,106	109,350	113,963	(4,613)
Support Services:				
Pupils	788,070	863,989	773,527	90,462
Instructional Staff	624,029	638,662	612,513	26,149
Board of Education	91,135	74,504	89,453	(14,949)
Administration	2,115,335	2,119,547	2,076,298	43,249
Fiscal	683,840	697,386	671,220	26,166
Operation and Maintenance of Plant	2,118,008	2,239,723	2,078,922	160,801
Pupil Transportation	846,586	877,691	830,963	46,728
Extracurricular Activities	695,125	666,771	682,297	(15,526)
<i>Total Expenditures</i>	<u>22,288,172</u>	<u>22,294,189</u>	<u>21,876,862</u>	<u>417,327</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,489,755)</u>	<u>(996,468)</u>	<u>(594,659)</u>	<u>401,809</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	3,912	0	4,003	4,003
Advances In	198,282	202,890	202,894	4
Advances Out	(208,907)	(202,890)	(205,054)	(2,164)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,713)</u>	<u>0</u>	<u>1,843</u>	<u>1,843</u>
<i>Net Change in Fund Balance</i>	<u>(1,496,468)</u>	<u>(996,468)</u>	<u>(592,816)</u>	<u>403,652</u>
<i>Fund Balance Beginning of Year</i>	8,653,956	8,653,956	8,653,956	0
Prior Year Encumbrances Appropriated	454,127	454,127	454,127	0
<i>Fund Balance End of Year</i>	<u>\$ 7,611,615</u>	<u>\$ 8,111,615</u>	<u>\$ 8,515,267</u>	<u>\$ 403,652</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2014*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	<u>\$ 2,216,845</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>462,824</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 1,754,021</u></u>

See accompanying notes to the basic financial statements.



**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 3,736,762
<b>Operating Expenses</b>	
Purchased Services	400,399
Claims	2,588,060
<i>Total Operating Expenses</i>	2,988,459
<i>Operating Income</i>	748,303
<b>Non-Operating Revenue</b>	
Interest	4,734
<i>Change in Net Position</i>	753,037
<i>Net Position Beginning of Year</i>	1,000,984
<i>Net Position End of Year</i>	\$ 1,754,021

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash Flows From Operating Activities</b>	
Cash Received for Interfund Services	\$ 3,736,762
Cash Paid for Goods and Services	(400,399)
Cash Paid for Claims	<u>(2,557,776)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>778,587</u>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	<u>4,734</u>
<i>Net Increase in Cash and Cash Equivalents</i>	783,321
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,433,524</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 2,216,845</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 748,303
Adjustment:	
Increase in Claims Payable	<u>30,284</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 778,587</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 384,331	\$ 146,612
Investments in Segregated Accounts	16,387	0
<i>Total Assets</i>	400,718	\$ 146,612
<b>Liabilities</b>		
Accounts Payable	0	\$ 3,078
Due to Students	0	143,534
<i>Total Liabilities</i>	0	\$ 146,612
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 400,718	

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 5,341
Investment Earnings	752
	6,093
<i>Total Additions</i>	<i>6,093</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	17,415
	(11,322)
<i>Change in Net Position</i>	<i>(11,322)</i>
<i>Net Position Beginning of Year</i>	<i>412,040</i>
<i>Net Position End of Year</i>	<i>\$ 400,718</i>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY**

The Dover City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a School District as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

Included with the reporting entity within the School District’s boundaries, St. Joseph Elementary Parochial School is operated through the Columbus Catholic Diocese. Current state legislation provides state funding to this parochial school. The state monies are received and disbursed on behalf of the school by the School District Treasurer, as directed by the school. The receipt and disbursement activity of these monies is reflected in a special revenue fund.

The School District is involved with Ohio Mid-Eastern Regional Education Service Association (OME-RESA), Buckeye Joint Vocational School District, and Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Dover Public Library is a related organization of the School District. Additional information about these organizations is presented in Notes 16, 17 and 18 to the basic financial statements.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School 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. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical, dental and prescription benefits.

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows of resources, liabilities and deferred outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net position.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

***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 School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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



**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2014, investments were limited to STAR Plus, a savings account and an annuity.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$3,990 which includes \$621 assigned from other School District funds.

The School District participates in the Jefferson Health Plan for self-insurance. These monies are held separate from the School District’s central bank account and are reflected in the financial statements as “cash and cash equivalents with fiscal agent.” The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and cash equivalents.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.”

***F. Capital Assets***

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School 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 assets or materially extend an asset’s life are not.

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

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Buildings and Building Improvements	10-50 Years
Improvements Other Than Buildings	10-50 Years
Furniture and Fixtures	5-20 Years
Vehicles	10 Years

***G. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as “due to/due from other funds.” Interfund balance amounts are eliminated in the governmental activities column of the statement of net position.

***H. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

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On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the funds from which the employee will be paid.

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

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

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

***J. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2014, there was no net position restricted by enabling legislation.

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

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

***L. 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 to the funds that initially paid for them are not presented on the financial statements.

***M. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

***N. Estimates***

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

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***O. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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 budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

***P. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

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**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

GAAP Basis	\$ (485,427)
Net adjustment for revenue accruals	738,607
Net adjustment for expenditure accruals	(368,689)
Funds budgeted elsewhere **	(13,361)
Adjustment for encumbrances	<u>(463,946)</u>
Budget Basis	<u>\$ (592,816)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies and public school support funds.

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**NOTE 4: DEPOSITS AND INVESTMENTS**

State statues classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any 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 and STAR Plus).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any 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 noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2013, the School District and public depositories complied with the provisions of these statutes.

**Deposits** Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$11,392,493. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$9,439,539 of the School District's bank balance of \$11,434,824 was exposed to custodial risk as discussed below, while \$1,995,285 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$1,245,285 held in a STAR Plus account.

**Investments** As of June 30, 2014, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
Annuity	\$ 16,387	\$ 16,387



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**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 School District’s investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate, and two years or less for investments with a variable interest rate.

**Credit Risk.** The School District’s annuity is an unrated investment.

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Annuity	<u>\$ 16,387</u>	<u>100.00%</u>

***Funds Held by Fiscal Agent***

The School District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$2,216,845. All benefit deposits are made to the consortium’s depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**NOTE 5: PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,120,540 in the general fund, \$52,035 in the bond retirement fund, and \$11,475 in the permanent improvement fund. The amount available for advance at June 30, 2013, was \$1,494,719 in the general fund, \$72,493 in the bond retirement fund, and \$15,267 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 327,415,200	99%	\$ 333,601,100	99%
Public Utility Personal Property	4,508,320	1%	4,736,130	1%
<b>Total</b>	<b>\$ 331,923,520</b>	<b>100%</b>	<b>\$ 338,337,230</b>	<b>100%</b>
 Full Tax Rate Per \$1,000 of assessed valuation	 \$ 59.87		 \$ 59.57	

**NOTE 6: RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, accounts (student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year.

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**NOTE 7: CAPITAL ASSETS**

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

	Balance 06/30/2013	Additions	Deletions	Balance 06/30/2014
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 517,106	\$ 0	\$ 0	\$ 517,106
<i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	15,345,306	620,142	0	15,965,448
Improvements Other Than Buildings	214,197	0	0	214,197
Furniture and Fixtures	1,344,678	20,836	0	1,365,514
Vehicles	1,118,228	0	0	1,118,228
<i>Total Capital Assets being depreciated</i>	<u>18,022,409</u>	<u>640,978</u>	<u>0</u>	<u>18,663,387</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(8,438,365)	(302,289)	0	(8,740,654)
Improvements Other Than Buildings	(109,540)	(10,368)	0	(119,908)
Furniture and Fixtures	(787,177)	(81,214)	0	(868,391)
Vehicles	(703,322)	(69,006)	0	(772,328)
<i>Total Accumulated Depreciation</i>	<u>(10,038,404)</u>	<u>(462,877) *</u>	<u>0</u>	<u>(10,501,281)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>7,984,005</u>	<u>178,101</u>	<u>0</u>	<u>8,162,106</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 8,501,111</u>	<u>\$ 178,101</u>	<u>\$ 0</u>	<u>\$ 8,679,212</u>

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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 247,636
Special	12,698
Support Services:	
Pupils	3,815
Instructional Staff	580
Administration	10,394
Fiscal Services	321
Operation and Maintenance of Plant	13,407
Pupil Transportation	76,754
Operation of Non-Instructional Services:	
Food Service Operations	8,709
Extracurricular Activities	88,563
Total Depreciation Expense	\$ 462,877

**NOTE 8: RISK MANAGEMENT**

***A. General Insurance***

The School 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. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$86,182,154. The School District's vehicle insurance policy limit is \$1,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a School District liability policy. Additionally, the School District carries a \$4,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

***B. Fidelity Bond***

The Treasurer is covered under a surety bond in the amount of \$25,000.

***C. Workers' Compensation***

The School District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 School Districts.

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For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on 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 group 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 Fund" 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 Compmanagement provides administrative, cost control and actuarial services to the GRP.

***D. Employee Medical Benefits***

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$462,824 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2014 and 2013 are as follows:

		<u>Balance</u>	<u>Current</u>	<u>Claims</u>	<u>Balance</u>
	\$	Beginning of Year	Year Claims	Payments	End of Year
2013	\$	318,536	\$ 2,745,662	\$ 2,631,658	\$ 432,540
2014		432,540	2,588,060	2,557,776	462,824

**NOTE 9: OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All employees earn two days of personal leave per year. This may not be accumulated. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Employees hired prior to July 1, 1990 can carry over the greater of twenty vacation days or the vacation days accumulated as of July 1, 1990. Employees hired after July 1, 1990 may accumulate a maximum of twenty vacation days. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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*For the Fiscal Year Ended June 30, 2014*

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 208 days for teachers, or the number of contracted days for classified, non-bargaining and administrative employees. Upon completion of five or more years of service to the School District, State, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days for all employees. Employees with less than five years of service are eligible under ORC 124.39 to receive the minimum severance payment specified by law.

***B. Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to employees through UnumProvident. Coverage is provided for all certified and classified employees in the amount of \$23,000.

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$368,759, \$406,752 and \$346,930, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

A DB or Combined Plan member with five or more years of 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.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,503,231, \$1,586,640 and \$1,495,297, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$47,523 made by the School District and \$37,339 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11: POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$42,503, \$36,901, and \$15,025, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$21,394, \$18,731, and \$20,488, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.



**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**B. State Teachers Retirement System**

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$115,633, \$112,529, and \$115,023, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 12: LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2014 were as follows:

	Principal Outstanding 06/30/2013	Additions	Reductions	Principal Outstanding 06/30/2014	Amount Due in One Year
General Obligation Bonds:					
2004 School Improvement Refunding					
Bonds - Serial Bonds 2.0-4.1%	\$ 2,000,000	\$ 0	\$ 0	\$ 2,000,000	\$ 640,000
Capital Appreciation Bonds-10.65%	237,453	0	(237,453)	0	0
Accretion on Capital Appreciation					
Bonds	375,756	26,791	(402,547)	0	0
<i>Total General Obligation Bonds</i>	2,613,209	26,791	(640,000)	2,000,000	640,000
Compensated Absences	1,694,810	271,843	(148,116)	1,818,537	104,833
Capital Lease Payable	129,719	0	(30,403)	99,316	31,716
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 4,437,738</u>	<u>\$ 298,634</u>	<u>\$ (818,519)</u>	<u>\$ 3,917,853</u>	<u>\$ 776,549</u>

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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On May 11, 2004 the School District issued \$6,625,000 in School Improvement Refunding Bonds with an average interest rate of 3% along with \$498,806 in Capital Appreciation Bonds to refund \$7,125,000 of outstanding School Improvement Bonds with interest rates of 5.7 to 6.25 percent. The bonds were issued for a twelve-year period, with final maturity at December 1, 2016. The net proceeds of \$7,123,806 (after payment of \$162,088 in underwriting fees, insurance, and other issuance costs) were used to retire the original bonds. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The principal balance outstanding on the defeased bonds at June 30, 2014 was \$2,175,000.

The School District refunded the 1992 Series bonds to reduce its total debt service payments over the next twelve years by \$1,204,382.

***Capital Appreciation Bonds***

The capital appreciation bonds matured December 1, 2013. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holders receive the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,275,000. For fiscal year 2014, \$26,791 was accreted for a total bond liability of \$640,000.

The following is a summary of the School District's annual debt service principal and interest payments regarding the outstanding general obligation debt:

	School Improvement Refunding Bonds	
	Principal	Interest
2015	\$ 640,000	\$ 67,895
2016	665,000	41,795
2017	695,000	14,248
<i>Total</i>	<u>\$ 2,000,000</u>	<u>\$ 123,938</u>

Outstanding School Improvement Bonds are direct obligations of the School District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District and are being repaid from the bond retirement fund.

Compensated absences will be paid from the general fund and food service fund.

Capital lease payable will be paid from the general fund.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 13: CAPITALIZED LEASE**

During fiscal year 2012, the School District traded in the existing copier lease on a new lease for copiers. The lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

These assets have been capitalized in the governmental capital assets in the amount of \$158,863, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net position and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease.

Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for governmental funds. These expenditures are reflected as support services- administration on the budgetary basis in the general fund.

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

		<u>Copiers</u>
Year ending June 30,	2015	\$ 35,436
	2016	35,436
	2017	<u>35,436</u>
		106,308
Less amount representing interest		<u>6,992</u>
Present value of minimum lease payments		<u>\$ 99,316</u>

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 14: INTERFUND ACTIVITY**

***A. Interfund Balances***

As of June 30, 2014, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	Interfund Receivable	Interfund Payable
<b>Fund:</b>		
General	\$ 205,054	\$ 0
Other Governmental:		
Title VI-B	0	134,807
Title III	0	1,752
Title I	0	59,880
Preschool Grant	0	1,759
Title II-A	0	5,086
Library Grant	0	1,770
Totals	\$ 205,054	\$ 205,054

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the Statement of Net Position.

***B. Due To/Due From***

At June 30, 2014, the auxiliary services fund owed the general fund \$3,704 for costs the general fund paid on-behalf of the auxiliary services fund.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 15: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 664,071	\$ 664,071
Capital Outlay	0	478,987	478,987
Special Education	0	172,681	172,681
Other Purposes	0	250,472	250,472
Total Restricted	<u>0</u>	<u>1,566,211</u>	<u>1,566,211</u>
Assigned for:			
Instruction	60,520	0	60,520
Support Services	164,445	0	164,445
Operation and Maintenance	100,733	0	100,733
Subsequent Year Appropriations	557,681	0	557,681
Total Assigned	<u>883,379</u>	<u>0</u>	<u>883,379</u>
Unassigned	<u>6,400,649</u>	<u>(8,479)</u>	<u>6,392,170</u>
<i>Total Fund Balance</i>	<u>\$ 7,284,028</u>	<u>\$ 1,557,732</u>	<u>\$ 8,841,760</u>

**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS**

**A. Ohio Mid-Eastern Regional Education Service Association (OME-RESA)**

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member School Districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952. The School District paid \$79,120 for services provided during fiscal year 2014.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***B. Buckeye Joint Vocational School District (JVS)***

The Buckeye Joint Vocational School District (JVS) is a jointly governed organization providing vocational services to its 11 School Districts. The JVS is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the School District's continued participation and no measurable equity interest exists. During fiscal year 2014, no monies were paid to the JVS from the School District.

***C. Tuscarawas County Tax Incentive Review Council (TCTIRC)***

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2014, no monies were paid to the TCTIRC from the School District.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

**NOTE 17: INSURANCE PURCHASING POOL**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) which was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 18: RELATED ORGANIZATION**

***Dover Public Library***

The Dover Public Library (the "Library") is a related organization to the School District. The school board members are responsible for appointing all the trustees of Dover Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during the fiscal year 2014.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 19: FUND DEFICITS**

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

<i>Non-Major Special Revenue Funds:</i>		
Auxiliary	\$	482
Title I		1,339
Title II-A		6,658

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

**NOTE 20: CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**C. Other Commitments**

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

Fund	Amount
General	\$ 325,669
Other Governmental	117,628
	\$ 443,297

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 21: SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2013	\$ 0
Current Year Set-Aside Requirement	466,617
Current Year Qualifying Disbursements	(458,681)
Current Year Offsets	(149,925)
Totals	\$ (141,989)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-Aside Restricted Balance as of June 30, 2014	\$ 0

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years.



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013 / 2014	10.555	\$ 57,684	\$ 57,684
Cash Assistance:				
School Breakfast Program	2013 / 2014	10.553	76,778	76,778
National School Lunch Program	2013 / 2014	10.555	381,686	381,686
Cash Assistance Subtotal			<u>458,464</u>	<u>458,464</u>
Total Child Nutrition Cluster			<u>516,148</u>	<u>516,148</u>
Total U.S. Department of Agriculture			516,148	516,148
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	69,037 <u>313,209</u>	68,151 <u>313,707</u>
Total Title I Grants to Local Educational Agencies			382,246	381,858
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	113,606 <u>438,173</u>	131,476 <u>438,240</u>
Total Special Education - Grants to States			551,779	569,716
Special Education - Preschool Grants	2013 2014	84.173	2,452 <u>7,226</u>	2,591 <u>7,236</u>
Total Special Education - Preschool Grants			<u>9,678</u>	<u>9,827</u>
Total Special Education Cluster			561,457	579,543
Twenty-First Century Community Learning Centers	2013 2014	84.287	 <u>198,230</u>	4,928 <u>195,233</u>
Total Twenty-First Century Community Learning Centers			198,230	200,161
English Language Acquisition State Grant	2014	84.365	15,925	16,690
Improving Teacher Quality State Grants	2013 2014	84.367	17,799 <u>67,995</u>	16,758 <u>68,126</u>
Total Improving Teacher Quality State Grants			85,794	84,884
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	2014	84.395	<u>700</u>	<u>700</u>
Total U.S. Department of Education			<u>1,244,352</u>	<u>1,263,836</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,760,500</u></b>	<b><u>\$ 1,779,984</u></b>

*The accompanying notes are an integral part of this Schedule.*

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Dover City School District  
Tuscarawas County  
219 West Sixth Street  
Dover, Ohio 44622

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 14, 2015, wherein we noted the School District adopted the provision of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 14, 2015



# Dave Yost • Auditor of State

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

Dover City School District  
Tuscarawas County  
219 West Sixth Street  
Dover, Ohio 44622

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

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

The School District's response to our noncompliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

### ***Report on Internal Control over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings as item 2014-001.

The School District's response to the internal control over compliance finding we identified is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 14, 2015

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**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies CFDA #84.010</li> <li>• Child Nutrition Cluster CFDA #10.553 and #10.555</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY

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

3. FINDINGS FOR FEDERAL AWARDS

Significant Deficiency and Noncompliance – Procurement, Suspension and Debarment

<b>Finding Number</b>	2014-001
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies - CFDA #84.010
<b>Federal Award Number / Year</b>	2013/14
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

34 C.F.R. Part 80.36 (c) requires that all procurement transactions be conducted in a manner providing full and open competition. 34 C.F.R. Part 80.36 (d)(1) requires price or rate quotations to be received from an adequate number of qualified sources for small purchases of \$100,000 (41 U.S.C. 403(11)) or less.

During fiscal year 2014, for 1 out of 4 purchases tested, the School District made small purchases for the Federal Title I program from various vendors without obtaining price or rate quotations. Purchases were primarily made from past experience, a required consideration under 34 C.F.R. Part 80.36 (b)(8). However, the School District should still maintain quotes from other qualified sources and provide appropriate documentation for choosing one vendor over another in order to help ensure open competition requirements are satisfied.

The School District should obtain price or rate quotations from various vendors prior to making a procurement transaction. Additionally, the School District should maintain formal documentation for additional considerations made when selecting a vendor. Lastly, the School District should address the internal controls in place over procurement. This will help ensure the School District is in compliance with required Federal procurement regulations and the best price is obtained.

**Official's Response:** See Corrective Action Plan.

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
FOR THE YEAR ENDED JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The School District will obtain price quotes prior to purchasing.	Immediately	Brenda Hurst, Treasurer

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# Dave Yost • Auditor of State

**DOVER CITY SCHOOL DISTRICT**

**TUSCARAWAS 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  
JANUARY 27, 2015**