



**Mary Taylor, CPA**  
Auditor of State



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dover City School District  
Tuscarawas County  
219 West 6<sup>th</sup> Street  
Dover, Ohio 44622

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major General Fund and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio, as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 5, 2008

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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The discussion and analysis of the Dover City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the 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 District's financial performance.

***Financial Highlights***

Key financial highlights for 2008 are as follows:

- General Revenues accounted for \$18,274,312 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,194,212 or 15 percent of total revenues of \$21,468,524.
- Total program expenses were \$22,286,517.
- In total, net assets decreased \$817,993.
- Outstanding bonded debt decreased from \$5,596,211 to \$5,121,785 during 2008.

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

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* 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.

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

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

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

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

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

The 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 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 District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The School District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 17,549,931	\$ 15,931,979
Capital Assets	9,376,931	9,729,759
Total Assets	26,926,862	25,661,738
<b>Liabilities</b>		
Other Liabilities	14,458,180	12,097,856
Long-term Liabilities	7,008,144	7,285,351
Total Liabilities	21,466,324	19,383,207
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	4,201,268	3,989,937
Restricted	1,066,992	1,191,235
Unrestricted (Deficit)	192,278	1,097,359
Total Net Assets	\$ 5,460,538	\$ 6,278,531

Total net assets decreased by \$817,993. A decrease of \$352,828 in total capital assets reflects current year depreciation and dispositions exceeding additional purchases. Total liabilities increased by \$2,083,117 which was primarily a result of an increase in deferred revenue.

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,137,449	\$ 993,942
Operating Grants	2,024,577	1,947,992
Capital Grants	32,186	29,561
<i>General Revenues:</i>		
Property Taxes	9,772,380	12,198,090
Grants and Entitlements	8,211,440	7,470,604
Other	290,492	481,235
<i>Total Revenues</i>	<u>21,468,524</u>	<u>23,121,424</u>
<b>Program Expenses</b>		
Instruction	12,612,601	12,360,916
Support Services	7,627,496	7,141,253
Operation of Non-Instructional Services	925,982	999,785
Extracurricular Activities	867,671	442,198
Interest and Fiscal Charges	252,767	260,749
<i>Total Expenses</i>	<u>22,286,517</u>	<u>21,204,901</u>
Increase (Decrease) in Net Assets	<u>\$ (817,993)</u>	<u>\$ 1,916,523</u>

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

**Governmental Activities**

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 2008	Total Cost of Service 2007	Net Cost of Service 2008	Net Cost of Service 2007
Instruction	\$ 12,612,601	\$ 12,360,916	\$ (11,490,995)	\$ (11,202,213)
Support Services:				
Pupil and Instructional Staff	2,372,331	2,400,234	(1,709,310)	(1,820,975)
Board of Education, Administration and Fiscal	2,758,362	2,326,689	(2,749,651)	(2,318,404)
Operation and Maintenance of Plant	1,894,202	1,840,190	(1,842,170)	(1,810,224)
Pupil Transportation	602,601	574,140	(592,195)	(559,545)
Operation of Non-Instructional Services	925,982	999,785	(8,872)	(55,413)
Extracurricular Activities	867,671	442,198	(446,345)	(205,883)
Interest and Fiscal Charges	252,767	260,749	(252,767)	(260,749)
<b>Total</b>	<b>\$ 22,286,517</b>	<b>\$ 21,204,901</b>	<b>\$ (19,092,305)</b>	<b>\$ (18,233,406)</b>

Instruction and pupil and instructional staff support services comprise 67.2 percent of governmental program expenses. Interest, fiscal and administration charges were 13.5 percent. Interest expense was attributable to the outstanding bonds; fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided by the District. Pupil transportation and the operation/maintenance of facilities accounts for 11.2 percent of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Dover City School District students.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the District did modify its general fund budget. The 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, final budget basis revenue, including other financing sources, was \$19,240,437, which was higher than the original budget estimates of \$18,890,437. Of this \$350,000 increase, most was attributable to an increase in intergovernmental revenue.

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2008, the District had \$9,376,931 invested in land, buildings and building improvements, improvements other than buildings, furniture and equipment and vehicles. See note 8 for additional details. Table 4 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities	
	2008	2007
Land	\$ 379,605	\$ 379,605
Building and Building Improvements	8,096,391	8,363,358
Improvements Other than Buildings	157,165	168,261
Furniture and Equipment	324,566	358,578
Vehicles	419,204	459,957
Totals	\$ 9,376,931	\$ 9,729,759

The \$352,828 decrease in capital assets was attributable to current year depreciation and dispositions exceeding additional purchases.

Senate Bill 345 requires school districts to set aside \$162.09 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements (see note 20). For fiscal year 2008, this amounted to \$378,193 for each set aside. The District has qualifying disbursements or offsets exceeding these requirements for textbooks and capital acquisition.

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

**Debt**

At June 30, 2008, the District had \$5,121,785 in bonds outstanding with \$565,000 due within one year. See note 13 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2008	2007
2004 School Improvement Refunding		
Bonds Serial Bonds	\$ 4,355,000	\$ 4,905,000
Capital Appreciation Bonds	498,806	498,806
Accretion on Capital Appreciation Bonds	267,979	192,405
Totals	\$ 5,121,785	\$ 5,596,211

***Current Issues***

The Dover City School District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. An emergency operating levy was passed in March 2008 to begin collecting in 2009. This levy will continue for five years.

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 45.5 percent of revenues for governmental activities for the Dover City School District in fiscal year 2008.

The District has also been affected by increased delinquency rates and 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.

**Dover City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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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.

The Dover City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the District. Another District concern is the State Legislative approval of the biennial budget, effective July 1, 2008, which had a negative impact on the District. How the legislature plans to fund education programs during a weakened economy remains a concern.

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

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have 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 [do\\_brenda@omeresanet.net](mailto:do_brenda@omeresanet.net).

**Dover City School District**

*Statement of Net Assets*

*June 30, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,016,050
Receivables:	
Taxes	12,359,583
Accounts	39,402
Intergovernmental	134,896
Nondepreciable Capital Assets	379,605
Depreciable Capital Assets (Net)	<u>8,997,326</u>
<i>Total Assets</i>	<u>26,926,862</u>
<b>Liabilities</b>	
Accounts Payable	81,791
Accrued Wages and Benefits	2,468,659
Accrued Vacation Payable	17,207
Matured Compensated Absences Payable	188,373
Accrued Interest Payable	12,993
Intergovernmental Payable	543,892
Deferred Revenue	11,145,265
Long Term Liabilities:	
Due Within One Year	799,838
Due Within More Than One Year	<u>6,208,306</u>
<i>Total Liabilities</i>	<u>21,466,324</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,201,268
Restricted for:	
Capital Outlay	146,655
Debt Service	693,424
Other Purposes	226,913
Unrestricted	<u>192,278</u>
<i>Total Net Assets</i>	<u><u>\$ 5,460,538</u></u>

See accompanying notes and accountant's compilation report.

**Dover City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 10,205,211	\$ 258,582	\$ 116,438	\$ 0	\$ (9,830,191)
Special	2,204,485	0	746,586	0	(1,457,899)
Vocational	446	0	0	0	(446)
Other	202,459	0	0	0	(202,459)
Support Services:					
Pupils	1,283,514	0	295,031	0	(988,483)
Instructional Staff	1,088,817	0	367,990	0	(720,827)
Board of Education	179,469	0	0	0	(179,469)
Administration	1,870,016	0	8,711	0	(1,861,305)
Fiscal	708,877	0	0	0	(708,877)
Operation and Maintenance of Plant	1,894,202	0	30,252	21,780	(1,842,170)
Pupil Transportation	602,601	0	0	10,406	(592,195)
Operation of Non-Instructional Services:					
Food Service Operations	724,592	457,541	289,957	0	22,906
Community Services	197,731	0	169,612	0	(28,119)
Other	3,659	0	0	0	(3,659)
Extracurricular Activities	867,671	421,326	0	0	(446,345)
Interest and Fiscal Charges	252,767	0	0	0	(252,767)
<i>Total Governmental Activities</i>	<u>\$ 22,286,517</u>	<u>\$ 1,137,449</u>	<u>\$ 2,024,577</u>	<u>\$ 32,186</u>	<u>(19,092,305)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	9,177,639
Debt Service	528,244
Capital Outlay	66,497
Grants and Entitlements not Restricted to Specific Programs	8,211,440
Investment Earnings	224,749
Miscellaneous	65,743

*Total General Revenues* 18,274,312

Change in Net Assets (817,993)

*Net Assets Beginning of Year* 6,278,531

*Net Assets End of Year* \$ 5,460,538

See accompanying notes and accountant's compilation report.

**Dover City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,727,610	\$ 1,288,440	\$ 5,016,050
Receivables:			
Taxes	11,671,740	687,843	12,359,583
Accounts	38,914	488	39,402
Intergovernmental	0	134,896	134,896
Interfund Receivable	<u>130,957</u>	<u>0</u>	<u>130,957</u>
<i>Total Assets</i>	<u><u>\$ 15,569,221</u></u>	<u><u>\$ 2,111,667</u></u>	<u><u>\$ 17,680,888</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 53,623	\$ 28,168	\$ 81,791
Accrued Wages and Benefits	2,274,267	194,392	2,468,659
Intergovernmental Payable	516,208	27,684	543,892
Interfund Payable	0	130,957	130,957
Deferred Revenue	10,900,788	633,468	11,534,256
Matured Compensated Absences Payable	<u>184,307</u>	<u>4,066</u>	<u>188,373</u>
<i>Total Liabilities</i>	<u>13,929,193</u>	<u>1,018,735</u>	<u>14,947,928</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	449,653	133,511	583,164
Reserved for Property Taxes	770,952	54,375	825,327
Unreserved, Undesignated, Reported in:			
General Fund	419,423	0	419,423
Special Revenue Funds	0	188,625	188,625
Debt Service Fund	0	635,605	635,605
Capital Projects Funds	<u>0</u>	<u>80,816</u>	<u>80,816</u>
<i>Total Fund Balances</i>	<u>1,640,028</u>	<u>1,092,932</u>	<u>2,732,960</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 15,569,221</u></u>	<u><u>\$ 2,111,667</u></u>	<u><u>\$ 17,680,888</u></u>

See accompanying notes and accountant's compilation report.

**Dover City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

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<b>Total Governmental Fund Balances</b>	\$	2,732,960
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*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,376,931
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Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.		388,991
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In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		(12,993)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Vacation Payable	\$	(17,207)
General Obligation Bonds		(4,355,000)
Capital Appreciation Bonds		(766,785)
Compensated Absences		(1,564,502)
Capital Leases Payable		<u>(321,857)</u>

Total		<u>(7,025,351)</u>
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<i>Net Assets of Governmental Activities</i>	\$	<u><u>5,460,538</u></u>
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See accompanying notes and accountant's compilation report.

**Dover City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 9,022,009	\$ 584,373	\$ 9,606,382
Intergovernmental	8,475,915	1,769,767	10,245,682
Investment Income	224,327	422	224,749
Tuition and Fees	65,678	0	65,678
Extracurricular Activities	0	361,858	361,858
Gifts and Donations	520	22,000	22,520
Charges for Services	151,553	558,360	709,913
Miscellaneous	57,737	8,006	65,743
<i>Total Revenues</i>	<u>17,997,739</u>	<u>3,304,786</u>	<u>21,302,525</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	9,515,526	244,405	9,759,931
Special	1,863,210	315,922	2,179,132
Vocational	446	0	446
Other	171,024	45,036	216,060
Support Services:			
Pupils	962,918	287,962	1,250,880
Instructional Staff	743,554	333,182	1,076,736
Board of Education	178,769	0	178,769
Administration	1,687,229	8,711	1,695,940
Fiscal	691,463	15,954	707,417
Operation and Maintenance of Plant	1,812,315	80,752	1,893,067
Pupil Transportation	593,240	0	593,240
Extracurricular Activities	548,580	306,655	855,235
Operation of Non-instructional Services:			
Food Service Operations	0	713,210	713,210
Community Services	158	195,400	195,558
Other	3,659	0	3,659
Capital Outlay	148,822	0	148,822
Debt Service:			
Principal Retirement	90,315	679,094	769,409
Interest and Fiscal Charges	6,643	171,696	178,339
<i>Total Expenditures</i>	<u>19,017,871</u>	<u>3,397,979</u>	<u>22,415,850</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,020,132)</u>	<u>(93,193)</u>	<u>(1,113,325)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Inception of Capital Lease	205,250	0	205,250
Transfers In	0	138,000	138,000
Transfers Out	(138,000)	0	(138,000)
<i>Total Other Financing Sources (Uses)</i>	<u>67,250</u>	<u>138,000</u>	<u>205,250</u>
<i>Net Change in Fund Balances</i>	(952,882)	44,807	(908,075)
<i>Fund Balances Beginning of Year</i>	<u>2,592,910</u>	<u>1,048,125</u>	<u>3,641,035</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,640,028</u>	<u>\$ 1,092,932</u>	<u>\$ 2,732,960</u>

See accompanying notes and accountant's compilation report.

**Dover City School District**  
*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, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (908,075)

*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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 185,853	
Current Year Depreciation	(373,699)	
Total		(187,846)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (164,982)

Delinquent property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 165,999

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

Bond Principal	550,000	
Capital Leases	219,409	
Total		769,409

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.

Accrued Interest	1,146	
Bond Accretion	(75,574)	
Total		(74,428)

Inception of capital lease in the governmental funds increase long-term liabilities in the statement of net assets is not reported as revenues in the statement of activities. (205,250)

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	(1,442)	
Compensated Absences	(211,378)	
Total		(212,820)

*Change in Net Assets of Governmental Activities* \$ (817,993)

See accompanying notes and accountant's compilation report.

**Dover City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 10,169,163	\$ 10,169,163	\$ 10,219,380	\$ 50,217
Intergovernmental	8,095,491	8,445,491	8,475,915	30,424
Investment Income	275,000	275,000	224,327	(50,673)
Tuition and Fees	36,500	36,500	65,678	29,178
Gifts and Donations	0	0	520	520
Charges for Services	120,000	120,000	151,553	31,553
Miscellaneous	78,560	78,560	57,671	(20,889)
<i>Total Revenues</i>	<u>18,774,714</u>	<u>19,124,714</u>	<u>19,195,044</u>	<u>70,330</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,380,121	9,397,621	9,394,773	2,848
Special	1,866,930	1,854,130	1,852,328	1,802
Other	424,942	248,942	248,595	347
Support Services:				
Pupils	953,310	961,210	960,402	808
Instructional Staff	869,218	828,218	827,059	1,159
Board of Education	112,202	200,002	198,493	1,509
Administration	1,771,541	1,775,241	1,773,685	1,556
Fiscal	642,603	693,903	691,811	2,092
Operation and Maintenance of Plant	1,946,089	1,996,989	1,992,136	4,853
Pupil Transportation	638,927	612,627	611,557	1,070
Extracurricular Activities	542,278	568,278	566,199	2,079
<i>Total Expenditures</i>	<u>19,148,161</u>	<u>19,137,161</u>	<u>19,117,038</u>	<u>20,123</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(373,447)</u>	<u>(12,447)</u>	<u>78,006</u>	<u>90,453</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	1,000	1,000	0	(1,000)
Advances In	114,723	114,723	114,723	0
Advances Out	(100,000)	(131,000)	(130,957)	43
Transfers Out	(158,000)	(138,000)	(138,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(142,277)</u>	<u>(153,277)</u>	<u>(154,234)</u>	<u>(957)</u>
<i>Net Change in Fund Balance</i>	(515,724)	(165,724)	(76,228)	89,496
<i>Fund Balance Beginning of Year</i>	2,783,380	2,783,380	2,783,380	0
Prior Year Encumbrances Appropriated	523,630	523,630	523,630	0
<i>Fund Balance End of Year</i>	<u>\$ 2,791,286</u>	<u>\$ 3,141,286</u>	<u>\$ 3,230,782</u>	<u>\$ 89,496</u>

See accompanying notes and accountant's compilation report.

**Dover City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 445,968	\$ 103,102
Investments In Segregated Accounts	13,551	0
<i>Total Assets</i>	459,519	\$ 103,102
<b>Liabilities</b>		
Accounts Payable	0	\$ 2,791
Due to Students	0	100,311
<i>Total Liabilities</i>	0	\$ 103,102
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 459,519	

See accompanying notes and accountant's compilation report.

**Dover City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2008*

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	<u>Scholarship</u>
<b>Additions</b>	
Gifts and Contributions	\$ 27,454
Interest	<u>19,005</u>
<i>Total Additions</i>	<u>46,459</u>
<b>Deductions</b>	
Scholarships	<u>19,589</u>
<i>Change in Net Assets</i>	26,870
<i>Net Assets Beginning of Year</i>	<u>432,649</u>
<i>Net Assets End of Year</i>	<u><u>\$ 459,519</u></u>

See accompanying notes and accountant's compilation report.

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**Dover City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

The Dover City School District (the “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 District is a School District as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of October 1, 2007, was 2,520. The District employs 198 certified and 86 non-certified employees.

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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

Included with the reporting entity within the 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 District Treasurer, as directed by the school. The receipt and disbursement activity of these monies is reflected in a special revenue fund.

The District is involved with Ohio Mid-Eastern Regional Education Service Association (OME-RESA), Buckeye Career Center, and Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations. The District is also associated with the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP) and the East Ohio School Employees Insurance Consortium (EOSEIC), which are defined as insurance purchasing pools. The Dover Public Library is a related organization of the 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 District over which the District has the ability to exercise direct operating control.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

The financial statements of the 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 District also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are shown below.

***A. Basis of Presentation***

The District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the 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 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 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 District.

***Fund Financial Statements*** During the year, the District segregates transactions related to certain 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 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 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 District are grouped into the categories governmental and fiduciary.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for funds for the Washington D.C. trip, 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 and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

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

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

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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 revenue, 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 District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the 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 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

***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. Unused donated commodities are reported as deferred revenue.

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

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

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

During fiscal year 2008, investments were limited to STAROhio, money market accounts 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 District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2008. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$224,327, which includes \$75,966 assigned from other District funds.

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 District are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food and purchased food held for resale.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

***G. Capital Assets***

The 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 assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the 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

***H. Interfund Balances***

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

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

***I. 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 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 District's past experience of making termination payments.

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

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.

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

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

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

***K. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

***L. Fund Balance Reserves***

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***M. 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.

***N. 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 2008.

***O. 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.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

***P. 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, function, object level for the general fund and the fund level for all other 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 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.

***Q. Changes in Accounting Principles***

For the year ended 2008, the School District has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50, "*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*"

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, and GASB Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers”, to conform with requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**NOTE 3: FUND DEFICITS**

At June 30, 2008, the food service fund had a deficit fund balance of \$24,402. This deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

While the 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. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ (952,882)
Net adjustment for revenue accruals	992,055
Advances In	114,723
Net adjustment for expenditure accruals	397,661
Advances Out	(130,957)
Adjustment for encumbrances	<u>(496,828)</u>
Budget Basis	<u>\$ (76,228)</u>

**NOTE 5: DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 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 maturing not more than one year from the date 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;

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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 (STAROhio).
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.

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

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

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 District's name. During 2008, the District and public depositories complied with the provisions of these statutes.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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

**Deposits** Custodial credit risk is the risk that, in the event of a bank failure, the 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 District.

At fiscal year-end, the carrying amount of the District's deposits was \$4,343,596, which includes \$250 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$4,138,841 of the District's bank balance of \$4,450,559 was exposed to custodial risk as discussed above, while \$311,718 was covered by Federal Deposit Insurance Corporation.

**Investments** As of June 30, 2008, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
Annuity	\$ 13,551	\$ 13,551
STAROhio	1,221,524	1,221,524
Total	<u>\$ 1,235,075</u>	<u>\$ 1,235,075</u>

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

**Credit Risk.** The District's annuity is an unrated investment. Standard & Poor's has assigned STAROhio an AAA rating.

**Concentration of Credit Risk.** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Annuity	\$ 13,551	1.10%
STAROhio	1,221,524	98.90%
Total	<u>\$ 1,235,075</u>	<u>100.00%</u>

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 6: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2005, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$770,952 in the general fund, \$48,987 in the bond retirement debt service fund, and \$5,388 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$1,968,323 in the general fund, \$122,716 in the bond retirement debt service fund, and \$14,030 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second-Half		2008 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 242,979,130	67%	\$ 262,026,920	67%
Commercial/Industrial	78,412,680	22%	86,957,020	22%
Tangible Personal Property	34,931,136	10%	36,292,370	10%
Personal Public Utility	5,162,590	1%	3,169,310	1%
<b>Total Assessed Value</b>	<b>\$ 361,485,536</b>	<b>100%</b>	<b>\$ 388,445,620</b>	<b>100%</b>
 Tax rate per \$1,000 of assessed value	 <u>\$ 50.82</u>		 <u>\$ 51.12</u>	

**NOTE 7: RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (rent and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/2007	Additions	Deletions	Balance 06/30/2008
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 379,605	\$ 0	\$ 0	\$ 379,605
 <i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	15,235,279	0	0	15,235,279
Improvements Other Than Buildings	214,197	0	0	214,197
Furniture and Fixtures	997,138	168,187	(173,130)	992,195
Vehicles	979,050	17,666	0	996,716
<b>Total Capital Assets being depreciated</b>	<b>17,425,664</b>	<b>185,853</b>	<b>(173,130)</b>	<b>17,438,387</b>
 <i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(6,871,921)	(266,967)	0	(7,138,888)
Improvements Other Than Buildings	(45,936)	(11,096)	0	(57,032)
Furniture and Fixtures	(638,560)	(37,217)	8,148	(667,629)
Vehicles	(519,093)	(58,419)	0	(577,512)
<b>Total Accumulated Depreciation</b>	<b>(8,075,510)</b>	<b>(373,699) *</b>	<b>8,148</b>	<b>(8,441,061)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>9,350,154</b>	<b>(187,846)</b>	<b>(164,982)</b>	<b>8,997,326</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 9,729,759</b>	<b>\$ (187,846)</b>	<b>\$ (164,982)</b>	<b>\$ 9,376,931</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 305,785
Special	19,895
Support Services:	
Pupils	3,978
Instructional Staff	1,027
Board of Education	700
Administration	5,781
Fiscal Services	569
Operation and Maintenance of Plant	12,665
Pupil Transportation	3,589
Operation of Non-Instructional Services:	
Food Service Operations	10,261
Extracurricular Activities	9,449
<b>Total Depreciation Expense</b>	<b>\$ 373,699</b>

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 9: RISK MANAGEMENT**

***A. General Insurance***

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$72,162,798. The 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 District liability policy. Additionally, the District carries a \$3,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 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 District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The 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 Districts.

For fiscal year 2008, the 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 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 Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**NOTE 9: RISK MANAGEMENT (Continued)**

***D. Employee Health Insurance***

Effective October 1, 2002 the District formed the East Ohio Schools Employees Insurance Consortium as a charter member with two other local Districts. For certified and classified employees the Consortium provides medical/surgical coverage. For all employees, the plan provides medical/surgical coverage which is 90 percent in-network and 80 percent out-of-network paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90 percent in-network and 80 percent out-of-network employee co-payment to a \$200 per person and \$400 per family in-network and \$800 per person and \$1,600 per family out-of-network out-of-pocket maximum for classified employees. For certified employees the out-of-pocket maximums were \$400 per person and \$600 per family in-network and \$1,000 per person and \$1,800 per family out-of-network. Classified employees contribute \$44 per month for family medical coverage and \$18 per month for single medical coverage. Certified employees contribute \$54 per month for family medical coverage and \$20 per month for single medical coverage.

Total required monthly premiums are as follows:

	Classified		Certified	
	Family	Individual	Family	Individual
Medical/Surgical	\$ 988.21	\$ 384.41	\$ 981.47	\$ 381.79
Dental	72.91	29.16	72.91	29.16

**NOTE 10: 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. Vacation days may be accumulated up to a maximum of twenty days plus one additional day of vacation time for every four years of service over twenty years. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 208 days for teachers, or the number of contracted days for classified, non-bargaining and administrative employees. Upon completion of ten or more years of service to the 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.

***B. Life Insurance***

The District provides life insurance and accidental death and dismemberment insurance to employees through UnumProvident. Coverage is provided for all certified and classified employees depending on salary, ranging from \$5,750 to \$23,000.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 11: DEFINED BENEFIT PENSION PLANS**

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

The 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 Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School District’s contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$338,412, \$339,336 and \$317,925, respectively; 57 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

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

The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension 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 includes financial statements and required supplementary information. That report 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).

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

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)**

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.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,450,068, \$1,452,648 and \$1,371,337, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

***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, 2008, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12: POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$103,576, \$103,761 and \$97,953, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)**

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008 the actuarially required allocation was .66 percent. The School District's contributions for the year ended June 30, 2008 were \$15,954, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$133,873, \$124,017 and \$110,143, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The 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 Forms and Publications.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**NOTE 13: LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the fiscal year 2008 were as follows:

	Principal Outstanding 06/30/2007	Additions	Reductions	Principal Outstanding 06/30/2008	Amount Due in One Year
General Obligation Bonds:					
2004 School Improvement Refunding					
Bonds - Serial Bonds 2.0-4.1%	\$ 4,905,000	\$ 0	\$ (550,000)	\$ 4,355,000	\$ 565,000
Capital Appreciation Bonds-10.65%	498,806	0	0	498,806	0
Accretion on Capital Appreciation					
Bonds	192,405	75,574	0	267,979	0
<i>Total General Obligation Bonds</i>	<u>5,596,211</u>	<u>75,574</u>	<u>(550,000)</u>	<u>5,121,785</u>	<u>565,000</u>
Compensated Absences	1,353,124	237,532	(26,154)	1,564,502	62,640
Capital Leases Payable	<u>336,016</u>	<u>205,250</u>	<u>(219,409)</u>	<u>321,857</u>	<u>172,198</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 7,285,351</u>	<u>\$ 518,356</u>	<u>\$ (795,563)</u>	<u>\$ 7,008,144</u>	<u>\$ 799,838</u>

On May 11, 2004 the 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 Assets. The principal balance outstanding on the defeased bonds at June 30, 2008 was \$5,490,000.

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

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

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

Capital lease payable will be paid from the general fund and the permanent improvement fund.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**NOTE 13: LONG-TERM OBLIGATIONS (Continued)**

***Capital Appreciation Bonds***

The capital appreciation bonds mature December 1, 2012 and 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 2008, \$75,574 was accreted for a total bond liability of \$766,785.

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

	School Improvement		Capital Appreciation Bonds		Total	
	Refunding Bonds		Principal	Interest	Principal	Interest
	Principal	Interest				
2009	\$ 565,000	\$ 147,445	\$ 0	\$ 0	\$ 565,000	\$ 147,445
2010	575,000	130,345	0	0	575,000	130,345
2011	600,000	111,970	0	0	600,000	111,970
2012	615,000	91,458	0	0	615,000	91,458
2013	0	80,695	261,353	373,647	261,353	454,342
2014-2017	2,000,000	204,632	237,453	402,547	2,237,453	607,179
Total	\$ 4,355,000	\$ 766,545	\$ 498,806	\$ 776,194	\$ 4,853,806	\$ 1,542,739

**NOTE 14: CAPITALIZED LEASES**

In prior years the District entered into lease agreements for copy machines and boilers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments 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 \$976,898, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net assets 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.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**NOTE 14: CAPITALIZED LEASES (Continued)**

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, 2008:

		<u>Copiers</u>	<u>Boilers</u>	<u>Total</u>
Year ending June 30,	2009	\$ 47,462	\$ 137,995	\$ 185,457
	2010	47,462	0	47,462
	2011	47,462	0	47,462
	2012	47,462	0	47,462
	2013	23,731	0	23,731
		<u>213,579</u>	<u>137,995</u>	<u>351,574</u>
Less amount representing interest		<u>26,338</u>	<u>3,379</u>	<u>29,717</u>
Present value of minimum lease payments		<u>\$187,241</u>	<u>\$134,616</u>	<u>\$321,857</u>

**NOTE 15: INTERFUND BALANCES AND TRANSFERS**

***A. Interfund Balances***

As of June 30, 2008, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

<b>Fund:</b>	<u>Receivable</u>	<u>Payable</u>
General	\$ 130,957	\$ 0
Other Governmental:		
Title VI-B	0	75,010
Title I	0	38,966
Title V	0	1,802
Title II-A	0	15,179
Totals	<u>\$ 130,957</u>	<u>\$ 130,957</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. 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, 2008 are reported on the Statement of Net Assets.

***B. Interfund Transfers***

During fiscal year 2008, the general fund transferred \$138,000 to the permanent improvement fund for capital lease payments for the boilers.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**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 statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Educational Service Center, which serves as fiscal agent, located in Steubenville, Ohio. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$72,958 for services provided during fiscal year 2008.

***B. Buckeye Career Center (Career Center)***

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its 11 Districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

***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 District's continued participation and no equity interest exists.

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

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 17: INSURANCE PURCHASING POOLS**

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

The 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.

***B. East Ohio Schools Employees Insurance Consortium (EOSEIC)***

The District participates in the East Ohio Schools Employees Insurance Consortium (EOSEIC), an insurance purchasing pool. The consortium was established in fiscal year 2003 to obtain and maintain an insurance purchasing program to maximize benefits and/or reduce the costs of health, dental, life and/or other group insurance coverage for employees and their eligible dependents and designated beneficiaries. The consortium members are Dover City School District, Buckeye Joint Vocational School District and Garaway Local School District. The Board of Directors is the governing body. The Board of Education of each member appoints its superintendent or superintendent's designee to be its representative on the Board of Directors. The EOSEIC's business and affairs are conducted by the third party administrator, Klais and Company, Inc. Each year the participating school districts pay an enrollment fee to the third party administrator 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 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 District. The 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 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 District during the fiscal year 2008.

**NOTE 19: CONTINGENCIES**

***A. Grants***

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**Dover City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

**NOTE 19: CONTINGENCIES (Continued)**

***B. Litigation***

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

**NOTE 20: STATUTORY RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Reserve Balance as of June 30, 2007 (Restated)	\$ 0	\$ 0	\$ 0
Current Year Set-Aside Requirement	378,193	378,193	756,386
Balance Carried over from Prior Year	(192,614)	0	(192,614)
Current Year Offsets	0	(73,992)	(73,992)
Qualifying Disbursements	<u>(256,878)</u>	<u>(633,991)</u>	<u>(890,869)</u>
 Totals	 <u>\$ (71,299)</u>	 <u>\$ (329,790)</u>	 <u>\$ (401,089)</u>
 Set-Aside Balance Carried Forward to Future Fiscal Years	 <u>\$ (71,299)</u>	 <u>\$ 0</u>	
 Set-Aside Reserve Balance as of June 30, 2008	 <u>\$ 0</u>	 <u>\$ 0</u>	

During the year, the District determined there were additional qualifying disbursements for capital acquisition during the prior year, which reduced the set-aside amount below zero. This is reflected in the table above.

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement in future years. Although the 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.

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**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	2007	84.010	\$19,666		\$60,709	
	2008		<u>271,206</u>		<u>251,236</u>	
<i>Total Title I Grants to Local Educational Agencies</i>			290,872		311,945	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2006	84.027			10,841	
	2007		47,754		104,356	
	2008		<u>565,682</u>		<u>521,201</u>	
<i>Total Special Education - Grants to States (IDEA Part B)</i>			613,436		636,398	
Special Education - Preschool Grants	2008	84.173	<u>12,051</u>		<u>11,724</u>	
<i>Total Special Education Cluster</i>			625,487		648,122	
Safe and Drug Free Schools and Communities State Grants	2008	84.186	8,452		8,452	
Innovative Education Program Strategies	2007	84.298			219	
	2008		<u>4,430</u>		<u>4,184</u>	
<i>Total Innovative Education Program Strategies</i>			4,430		4,403	
Technology Literacy Challenge Fund Grants	2007	84.318			205	
	2008		<u>3,139</u>		<u>3,135</u>	
			3,139		3,340	
Improving Teacher Quality State Grants	2007	84.367	14,385		24,455	
	2008		<u>76,118</u>		<u>69,567</u>	
<i>Total Improving Teacher Quality State Grants</i>			90,503		94,022	
<b>Total U.S. Department of Education</b>			<u>1,022,883</u>		<u>1,070,284</u>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
(Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program	N/A	93.778	<u>545</u>			
<b>Total U.S. Department of Health and Human Services</b>			<u>545</u>			
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
(Passed Through Ohio Department of Education)						
Food Distribution	N/A	10.550		\$53,611		\$53,611
Child Nutrition Cluster:						
School Breakfast Program	N/A	10.553	77,066		77,066	
National School Lunch Program	N/A	10.555	<u>258,725</u>		<u>258,725</u>	
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>335,791</u>		<u>335,791</u>	
<b>Total</b>			<u>\$1,359,219</u>	<u>\$53,611</u>	<u>\$1,406,075</u>	<u>\$53,611</u>

The notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this statement.

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DONATION DISTRIBUTION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE C - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE D – MEDICAID ASSISTANCE PROGRAM**

The District received \$545 for the Medicaid Assistance Program during fiscal year 2008. This amount relates to settlements for services provided in previous fiscal years.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 6<sup>th</sup> Street  
Dover, Ohio 44622

To the Board of Education:

We have audited the financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated December 5, 2008.

#### **Compliance and Other Matters**

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

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 5, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

December 5, 2008



# Mary Taylor, CPA

Auditor of State

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

Dover City School District  
Tuscarawas County  
219 West 6<sup>th</sup> Street  
Dover, Ohio 44622

To the Board of Education:

### Compliance

We have audited the compliance of the Dover City School District, Tuscarawas County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Dover City School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

December 5, 2008

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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

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

None

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

None

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Food Service – The District did not have proper controls in place to help ensure errors, omissions or irregularities are detected in a timely manner.	No	See Management Letter
2007-002	Ohio Rev. Code Section 5705.41 (B) – The District's actual expenditures plus current encumbrances exceeded appropriations plus prior year encumbrances in the several fund/functions throughout the year and at the end of the year.	Partial	The District's actual expenditures plus current encumbrances exceeded appropriations plus prior year encumbrances in only two fund/functions throughout the year. Verbal comment was made to management.



**Mary Taylor, CPA**  
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  
FEBRUARY 3, 2009**