



Dave Yost • Auditor of State

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dover City School District
Tuscarawas County
219 West 6th Street
Dover, Ohio 44622

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2011, 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 General Fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof 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 30, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information 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. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

December 30, 2011

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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, 2011. 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 2011 are as follows:

- General Revenues accounted for \$21,589,130 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,397,519 or 14 percent of total revenues of \$24,986,649.
- Total program expenses were \$23,254,735.
- In total, net assets increased \$1,731,914.
- Outstanding bonded debt decreased from \$4,158,625 to \$3,661,797.

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, 2011
(Unaudited)

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 2011?" 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 major funds financial statements begin 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, 2011
(Unaudited)

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 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	\$ 22,540,840	\$ 21,536,619
Capital Assets	8,876,698	9,073,650
<i>Total Assets</i>	31,417,538	30,610,269
Liabilities		
Other Liabilities	13,425,050	13,853,355
Long-term Liabilities	5,502,087	5,998,427
<i>Total Liabilities</i>	18,927,137	19,851,782
Net Assets		
Invested in Capital		
Assets Net of Debt	5,695,093	5,249,958
Restricted	1,813,353	1,149,404
Unrestricted	4,981,955	4,359,125
<i>Total Net Assets</i>	\$ 12,490,401	\$ 10,758,487

Total net assets increased by \$1,731,914. The increase of \$1,004,221 in current and other assets is primarily the result an increase in cash and investments due to revenues exceeding expenditures in the current year and a decrease in taxes receivable. During the current year a large church in the community was granted exemption status and their delinquent property taxes were written off which caused the decrease in taxes receivable. Total liabilities decreased by \$924,645 which was a result of a decrease in long-term liabilities through principal payments and a decrease in deferred revenue.

Dover City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2011. 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	
	2011	2010
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,028,251	\$ 1,035,233
Operating Grants	2,369,268	2,190,340
Capital Grants	0	27,614
<i>General Revenues:</i>		
Property Taxes	11,311,311	12,331,613
Grants and Entitlements	10,182,262	10,135,289
Other	95,557	91,442
<i>Total Revenues</i>	<u>24,986,649</u>	<u>25,811,531</u>
Program Expenses		
Instruction	13,337,048	13,404,696
Support Services	7,804,400	7,402,947
Operation of Non-Instructional Services	994,203	975,293
Extracurricular Activities	901,985	923,800
Interest and Fiscal Charges	217,099	229,600
<i>Total Expenses</i>	<u>23,254,735</u>	<u>22,936,336</u>
<i>Increase in Net Assets</i>	1,731,914	2,875,195
<i>Net Assets at Beginning of Year</i>	<u>10,758,487</u>	<u>7,883,292</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 12,490,401</u></u>	<u><u>\$ 10,758,487</u></u>

The decrease in property tax revenue is due to a large church in the community being granted exemption status and their delinquent property taxes were written off, causing a decrease in taxes receivable and the related revenue.

Dover City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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 2011	Total Cost of Service 2010	Net Cost of Service 2011	Net Cost of Service 2010
Instruction	\$ 13,337,048	\$ 13,404,696	\$ (11,985,896)	\$ (12,236,283)
Support Services:				
Pupil and Instructional Staff	2,577,857	2,358,361	(1,994,108)	(1,707,624)
Board of Education, Administration and Fiscal	2,521,174	2,541,001	(2,476,212)	(2,492,714)
Operation and Maintenance of Plant	1,938,062	1,832,417	(1,926,687)	(1,793,371)
Pupil Transportation	767,307	671,168	(755,740)	(653,291)
Operation of Non-Instructional Services	994,203	975,293	38,959	(20,182)
Extracurricular Activities	901,985	923,800	(540,433)	(550,084)
Interest and Fiscal Charges	217,099	229,600	(217,099)	(229,600)
<i>Total</i>	<u>\$ 23,254,735</u>	<u>\$ 22,936,336</u>	<u>\$ (19,857,216)</u>	<u>\$ (19,683,149)</u>

Instruction and pupil and instructional staff support services comprise 68 percent of governmental program expenses. Interest and fiscal charges were less than 1 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 12 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 2011, 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.

Dover City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

For the general fund, final budget basis revenue, including other financing sources, was \$21,130,871 which was lower than the original budget estimates of \$21,246,026. Of this \$115,155 decrease, most was attributable to a decrease in intergovernmental revenue. Actual budget basis revenue of \$21,048,861 was \$82,010 less than final budget amounts of \$21,130,871, primarily due to intergovernmental revenues being less than anticipated.

Final appropriations, including other financing uses, of \$20,369,008 were the same as the original estimate. Actual budget basis expenditures of \$20,209,254 were \$159,754 less than final appropriations of \$20,369,008 as cost savings were recognized for all functions throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$8,876,698 invested in land, buildings and building improvements, improvements other than buildings, furniture and equipment and vehicles. See Note 9 for additional details. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 517,106	\$ 517,106
Building and Building Improvements	7,418,247	7,664,415
Improvements Other than Buildings	125,393	135,761
Furniture and Equipment	426,219	380,007
Vehicles	389,733	376,361
<i>Totals</i>	\$ 8,876,698	\$ 9,073,650

The \$196,952 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases.

Senate Bill 345 requires school districts to set aside \$171.96 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 22). For fiscal year 2011, this amounted to \$387,797 for each set aside. The District has qualifying disbursements or offsets exceeding these requirements for capital acquisition. The District did not incur enough qualifying disbursements to completely offset these requirements for textbooks.

Dover City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Debt

At June 30, 2011, the District had \$3,661,797 in bonds outstanding with \$615,000 due within one year. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2011	2010
2004 School Improvement Refunding		
Bonds Serial Bonds	\$ 2,615,000	\$ 3,215,000
Capital Appreciation Bonds	498,806	498,806
Accretion on Capital Appreciation Bonds	547,991	444,819
<i>Totals</i>	\$ 3,661,797	\$ 4,158,625

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 and began 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 45.3 percent of revenues for governmental activities for the Dover City School District in fiscal year 2011.

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, 2011
(Unaudited)

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, 2010, 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 HurstB@Dover.k12.oh.us.

Dover City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 10,018,769
Receivables:	
Taxes	11,945,596
Accounts	6,871
Intergovernmental	569,604
Nondepreciable Capital Assets	517,106
Depreciable Capital Assets (Net)	<u>8,359,592</u>
<i>Total Assets</i>	<u>31,417,538</u>
Liabilities	
Accounts Payable	160,644
Accrued Wages and Benefits	2,599,682
Accrued Vacation Payable	23,627
Matured Compensated Absences Payable	99,367
Accrued Interest Payable	6,725
Intergovernmental Payable	567,124
Deferred Revenue	9,967,881
Long Term Liabilities:	
Due Within One Year	737,341
Due In More Than One Year	<u>4,764,746</u>
<i>Total Liabilities</i>	<u>18,927,137</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,695,093
Restricted for:	
Capital Outlay	288,448
Debt Service	710,486
Other Purposes	685,383
Set Asides	129,036
Unrestricted	<u>4,981,955</u>
<i>Total Net Assets</i>	<u>\$ 12,490,401</u>

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 11,048,347	\$ 261,885	\$ 737,760	\$ (10,048,702)
Special	1,971,922	0	295,649	(1,676,273)
Vocational	25,266	0	2,000	(23,266)
Student Intervention Services	102,302	0	53,858	(48,444)
Other	189,211	0	0	(189,211)
Support Services:				
Pupils	1,354,337	0	209,771	(1,144,566)
Instructional Staff	1,223,520	0	373,978	(849,542)
Board of Education	62,188	0	0	(62,188)
Administration	1,789,637	0	44,962	(1,744,675)
Fiscal	669,349	0	0	(669,349)
Operation and Maintenance of Plant	1,938,062	0	11,375	(1,926,687)
Pupil Transportation	767,307	11,567	0	(755,740)
Operation of Non-Instructional Services:				
Food Service Operations	808,417	396,682	461,381	49,646
Community Services	185,786	0	175,099	(10,687)
Extracurricular Activities	901,985	358,117	3,435	(540,433)
Interest and Fiscal Charges	217,099	0	0	(217,099)
Total Governmental Activities	\$ 23,254,735	\$ 1,028,251	\$ 2,369,268	(19,857,216)

General Revenues

Property Taxes Levied for:	
General Purposes	10,661,395
Debt Service	534,850
Capital Outlay	115,066
Grants and Entitlements not Restricted to Specific Programs	10,182,262
Investment Earnings	6,703
Miscellaneous	88,854
Total General Revenues	21,589,130
Change in Net Assets	1,731,914
<i>Net Assets Beginning of Year</i>	<u>10,758,487</u>
<i>Net Assets End of Year</i>	<u>\$ 12,490,401</u>

See accompanying notes to the basic financial statements.

Dover City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 8,166,758	\$ 1,722,975	\$ 9,889,733
Restricted Cash and Cash Equivalents	129,036	0	129,036
Receivables:			
Taxes	11,260,623	684,973	11,945,596
Accounts	6,871	0	6,871
Intergovernmental	0	569,604	569,604
Interfund Receivable	223,874	0	223,874
Due from Other Funds	38,577	0	38,577
<i>Total Assets</i>	<u>\$ 19,825,739</u>	<u>\$ 2,977,552</u>	<u>\$ 22,803,291</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 119,611	\$ 41,033	\$ 160,644
Accrued Wages and Benefits	2,258,396	341,286	2,599,682
Intergovernmental Payable	536,764	30,360	567,124
Interfund Payable	0	223,874	223,874
Due to Other Funds	0	38,577	38,577
Deferred Revenue	9,937,008	969,466	10,906,474
Matured Compensated Absences Payable	99,367	0	99,367
<i>Total Liabilities</i>	<u>12,951,146</u>	<u>1,644,596</u>	<u>14,595,742</u>
Fund Balances			
Restricted	129,036	1,365,670	1,494,706
Assigned	1,376,393	0	1,376,393
Unassigned	5,369,164	(32,714)	5,336,450
<i>Total Fund Balances</i>	<u>6,874,593</u>	<u>1,332,956</u>	<u>8,207,549</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 19,825,739</u>	<u>\$ 2,977,552</u>	<u>\$ 22,803,291</u>

See accompanying notes to the basic financial statements.

Dover City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances		\$	8,207,549
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,876,698
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Grants	\$	365,563	
Delinquent Property Taxes		573,030	
Total			938,593
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.			(6,725)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Accrued Vacation Payable		(23,627)	
General Obligation Bonds		(2,615,000)	
Capital Appreciation Bonds		(1,046,797)	
Compensated Absences		(1,772,491)	
Capital Lease Payable		(67,799)	
Total			(5,525,714)
 <i>Net Assets of Governmental Activities</i>		 \$	 <u>12,490,401</u>

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 11,142,486	\$ 675,085	\$ 11,817,571
Intergovernmental	9,497,536	2,663,321	12,160,857
Investment Income	6,703	197	6,900
Tuition and Fees	123,721	0	123,721
Extracurricular Activities	149,731	358,117	507,848
Gifts and Donations	42,627	14,435	57,062
Charges for Services	0	396,682	396,682
Miscellaneous	86,921	1,933	88,854
<i>Total Revenues</i>	<u>21,049,725</u>	<u>4,109,770</u>	<u>25,159,495</u>
Expenditures			
Current:			
Instruction:			
Regular	9,807,627	884,954	10,692,581
Special	1,686,897	252,383	1,939,280
Vocational	23,266	2,000	25,266
Student Intervention Services	59,294	50,861	110,155
Other	189,211	0	189,211
Support Services:			
Pupils	1,151,548	203,149	1,354,697
Instructional Staff	853,551	361,933	1,215,484
Board of Education	61,439	0	61,439
Administration	1,758,130	8,127	1,766,257
Fiscal	668,510	16,354	684,864
Operation and Maintenance of Plant	1,907,663	32,910	1,940,573
Pupil Transportation	836,664	0	836,664
Extracurricular Activities	624,965	369,886	994,851
Operation of Non-Instructional Services:			
Food Service Operations	0	800,231	800,231
Community Services	0	181,660	181,660
Debt Service:			
Principal Retirement	42,087	600,000	642,087
Interest and Fiscal Charges	5,375	111,970	117,345
<i>Total Expenditures</i>	<u>19,676,227</u>	<u>3,876,418</u>	<u>23,552,645</u>
<i>Net Change in Fund Balances</i>	1,373,498	233,352	1,606,850
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>5,501,095</u>	<u>1,099,604</u>	<u>6,600,699</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,874,593</u>	<u>\$ 1,332,956</u>	<u>\$ 8,207,549</u>

See accompanying notes to the basic financial statements.

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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ 1,606,850

*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	\$ 202,657	
Current Year Depreciation	<u>(398,955)</u>	
Total		(196,298)

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.

(654)

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

Grants	333,414	
Delinquent Property Taxes	<u>(506,260)</u>	
Total		(172,846)

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

Bond Principal	600,000	
Capital Lease	<u>42,087</u>	
Total		642,087

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	3,418	
Bond Accretion	<u>(103,172)</u>	
Total		(99,754)

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	(4,896)	
Compensated Absences	<u>(42,575)</u>	
Total		<u>(47,471)</u>

Change in Net Assets of Governmental Activities \$ 1,731,914

See accompanying notes to the basic financial statements.

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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,097,217	\$ 11,001,330	\$ 11,171,792	\$ 170,462
Intergovernmental	9,720,979	9,667,248	9,497,536	(169,712)
Investment Income	85,000	7,000	6,703	(297)
Tuition and Fees	30,000	30,000	30,884	884
Gifts and Donations	31,000	31,000	42,627	11,627
Charges for Services	120,000	120,000	0	(120,000)
Miscellaneous	61,830	61,830	85,808	23,978
<i>Total Revenues</i>	<u>21,146,026</u>	<u>20,918,408</u>	<u>20,835,350</u>	<u>(83,058)</u>
Expenditures				
Current:				
Instruction:				
Regular	9,822,472	9,822,472	9,703,470	119,002
Special	1,723,764	1,723,764	1,731,900	(8,136)
Vocational	65,465	65,465	30,069	35,396
Student Intervention Services	52,861	52,861	70,951	(18,090)
Other	128,345	128,345	74,349	53,996
Support Services:				
Pupils	1,203,439	1,203,439	1,134,619	68,820
Instructional Staff	962,510	962,510	929,121	33,389
Board of Education	78,571	78,571	85,627	(7,056)
Administration	1,964,563	1,964,563	1,932,591	31,972
Fiscal	676,620	676,620	691,222	(14,602)
Operation and Maintenance of Plant	2,117,838	2,117,838	2,124,842	(7,004)
Pupil Transportation	833,420	833,420	854,961	(21,541)
Extracurricular Activities	614,140	614,140	621,658	(7,518)
<i>Total Expenditures</i>	<u>20,244,008</u>	<u>20,244,008</u>	<u>19,985,380</u>	<u>258,628</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>902,018</u>	<u>674,400</u>	<u>849,970</u>	<u>175,570</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	0	1,048	1,048
Advances In	100,000	212,463	212,463	0
Advances Out	(100,000)	(125,000)	(223,874)	(98,874)
Transfers Out	(25,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>87,463</u>	<u>(10,363)</u>	<u>(97,826)</u>
<i>Net Change in Fund Balance</i>	877,018	761,863	839,607	77,744
<i>Fund Balance Beginning of Year</i>	6,110,365	6,110,365	6,110,365	0
Prior Year Encumbrances Appropriated	803,022	803,022	803,022	0
<i>Fund Balance End of Year</i>	<u>\$ 7,790,405</u>	<u>\$ 7,675,250</u>	<u>\$ 7,752,994</u>	<u>\$ 77,744</u>

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 411,125	\$ 101,497
Investments In Segregated Accounts	15,002	0
<i>Total Assets</i>	426,127	\$ 101,497
Liabilities		
Accounts Payable	0	\$ 17,385
Due to Students	0	84,112
<i>Total Liabilities</i>	0	\$ 101,497
Net Assets		
Held in Trust for Scholarships	\$ 426,127	

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

	<u>Scholarship</u>
Additions	
Gifts and Contributions	\$ 5,029
Interest	1,257
<i>Total Additions</i>	<u>6,286</u>
Deductions	
Scholarships	<u>10,092</u>
<i>Change in Net Assets</i>	(3,806)
<i>Net Assets Beginning of Year</i>	<u>429,933</u>
<i>Net Assets End of Year</i>	<u>\$ 426,127</u>

See accompanying notes to the basic financial statements.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2010, was 2,541. The District employs 191 certified and 90 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 Joint Vocational School District, 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 Schools Employees Insurance Consortium (EOSEIC) through September 30, 2010, then effective October 1, 2010 the District joined the OME-RESA Health Benefits Program, 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 18, 19 and 20 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, 2011

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, 2011

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 to which the District is bound to observe constraints imposed upon the use of the resources.

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 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, 2011

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 7). 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 and student fees.

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

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 Investments

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 investments” on the financial statements.

During fiscal year 2011, 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 2011. 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, 2011.

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 2011 amounted to \$6,703 which includes \$1,269 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 “equity in pooled cash and investments.” 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, 2011

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:

Description	Governmental Activities Estimated Lives
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, 2011

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 and special termination benefits 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, 2011, none of the 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, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance

The District reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources. Nonspendable fund balance indicates resources that are not expected to be converted to cash because they are not in a spendable form. Resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received and are reported as a restricted fund balance. The District may limit the use of unreserved resources and may be reported as committed or assigned fund balance depending on at what level of governance the constraints were placed. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund. Through the District's purchasing policy the Board has given the Treasurer the authority to constrain monies for intended purposes, which are reported as assigned fund balances. All other funds in spendable form not restricted, committed, or assigned are reported as unassigned fund balance.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District considers committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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 2011.

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, 2011

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 level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 June 30, 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the District.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 3: RESTATEMENT OF FUND BALANCES

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the School District' governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ 5,426,229	\$ 1,174,470	\$ 6,600,699
Fund Reclassification:			
Uniform School Supplies Fund	32,620	(32,620)	0
Public School Support Fund	<u>42,246</u>	<u>(42,246)</u>	<u>0</u>
Restated Fund Balance at July 1, 2010	<u>\$ 5,501,095</u>	<u>\$ 1,099,604</u>	<u>\$ 6,600,699</u>

The fund reclassifications did not have an effect on net assets previously reported.

NOTE 4: FUND DEFICITS

At June 30, 2011, the state fiscal stabilization fund had a fund deficit of \$32,714. The deficit in this governmental fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and will provide transfers when cash is required, not when accruals occur.

NOTE 5: 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).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5: 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.

Net Change in Fund Balance

GAAP Basis	\$ 1,373,498
Net adjustment for revenue accruals	242,826
Net adjustment for expenditure accruals	(309,958)
Funds budgeted elsewhere **	(395)
Adjustment for encumbrances	<u>(466,364)</u>
Budget Basis	<u><u>\$ 839,607</u></u>

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

NOTE 6: DEPOSITS AND INVESTMENTS

State statues 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, 2011

NOTE 6: 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 2010, the District and public depositories complied with the provisions of these statutes.

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the District’s deposits was \$9,291,506, 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, 2011, \$8,518,451 of the District’s bank balance of \$9,326,553 was exposed to custodial risk as discussed above, while \$772,803 was covered by Federal Deposit Insurance Corporation.

Investments As of June 30, 2011, 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	\$ 15,002	\$ 15,002
STAROhio	1,239,885	1,239,885
Total	<u>\$ 1,254,887</u>	<u>\$ 1,254,887</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 AAAM rating.

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

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Annuity	\$ 15,002	1.20%
STAROhio	1,239,885	98.80%
Total	<u>\$ 1,254,887</u>	<u>100.00%</u>

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 7: 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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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 2011 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the School District was 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, 2011, are available to finance fiscal year 2012 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, 2011

NOTE 7: 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, 2011, 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, 2011 was \$1,323,615 in the general fund, \$66,971 in the bond retirement debt service fund, and \$14,099 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$1,352,921 in the general fund, \$66,497 in the bond retirement debt service fund, and \$15,199 in the permanent improvement capital projects fund.

On an 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 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential				
Other Real Estate	\$ 265,454,090	75%	\$ 252,952,060	76%
Commercial/Industrial	86,913,830	24%	75,608,900	23%
Tangible Personal Property	585,590	0%	0	0%
Personal Public Utility	3,282,210	1%	3,869,820	1%
	\$ 356,235,720	100%	\$ 332,430,780	100%
 Tax rate per \$1,000 of assessed value	 \$ 58.82		 \$ 59.87	

NOTE 8: RECEIVABLES

Receivables at June 30, 2011 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, 2011

NOTE 9: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 517,106	\$ 0	\$ 0	\$ 517,106
<i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	15,328,579	16,727	0	15,345,306
Improvements Other Than Buildings	214,197	0	0	214,197
Furniture and Fixtures	1,096,695	110,039	(6,537)	1,200,197
Vehicles	1,049,168	75,891	0	1,125,059
<i>Total Capital Assets being depreciated</i>	17,688,639	202,657	(6,537)	17,884,759
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(7,664,164)	(262,895)	0	(7,927,059)
Improvements Other Than Buildings	(78,436)	(10,368)	0	(88,804)
Furniture and Fixtures	(716,688)	(63,173)	5,883	(773,978)
Vehicles	(672,807)	(62,519)	0	(735,326)
<i>Total Accumulated Depreciation</i>	(9,132,095)	(398,955) *	5,883	(9,525,167)
<i>Total Capital Assets being depreciated, net</i>	8,556,544	(196,298)	(654)	8,359,592
<i>Governmental Activities Capital Assets, Net</i>	\$ 9,073,650	\$ (196,298)	\$ (654)	\$ 8,876,698

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 320,739
Special	23,204
Support Services:	
Pupils	7,102
Instructional Staff	1,098
Board of Education	749
Administration	7,532
Fiscal Services	608
Operation and Maintenance of Plant	13,017
Pupil Transportation	3,836
Operation of Non-Instructional Services:	
Food Service Operations	10,969
Extracurricular Activities	10,101
Total Depreciation Expense	\$ 398,955

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 10: 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 \$77,571,318. 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 \$4,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

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

C. Workers' Compensation

The 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 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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 Compmanagement 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, 2011

NOTE 10: 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. Effective October 1, 2010 the Consortium was formally dissolved and each of the three school districts joined the OME-RESA Health Benefits Program as individual school district members. For certified and classified employees the District 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 \$200 individual and \$400 family annual deductible in-network and \$400 individual and \$800 family annual deductible out-of-network, followed by a 90 percent in-network and 80 percent out-of-network employee co-payment to a \$400 per person and \$800 per family in-network and \$1,000 per person and \$2,000 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. Certified employees contribute \$85 per month for family medical coverage and \$35 per month for single medical coverage. Classified employees contribute \$68 per month for family medical coverage and \$28 per month for single coverage. A third party administrator, Klais & Company, Inc., of Akron, Ohio performs administrative services and reviews all claims. The OME-RESA Health Benefits Program purchases stop-loss coverage of \$400,000 per individual from Sun Life. There is an internal pool from \$35,000 to \$365,000 for stop-loss coverage. The District pays ninety-five percent of the premium for full-time and fifty percent of the premium for part-time employees for single or family coverage. The District also provides dental and vision coverage. The premiums are paid by the District at a rate of ninety percent for full-time employees and fifty percent for part-time employees. The premium is paid by the fund that paid the salary for the employee. The employee share of the group health insurance premium is covered by an Internal Revenue Code Section 125 plan on a mandatory basis.

Total required monthly premiums are as follows:

	Classified		Certified	
	Family	Individual	Family	Individual
Medical/Surgical	\$ 1,179.89	\$ 458.65	\$ 1,249.74	\$ 486.67
Dental	78.23	31.29	78.23	31.29

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 11: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - 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 under Employers/Audit Resources.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's contributions for pension obligations to SERS for the years ended June 30, 2011, 2010 and 2009 were \$299,717, \$343,514 and \$230,007, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2011, 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 2010, 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,459,744, \$1,363,184 and \$1,315,219 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$26,202 made by the District and \$18,716 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 13: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. SERS employs two third party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by Statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$36,291, \$12,364, and \$105,262, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,287, \$20,428, and \$18,977, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$112,288, \$104,860, and \$101,171, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14: LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year 2011 were as follows:

	Principal Outstanding 06/30/2010	Additions	Reductions	Principal Outstanding 06/30/2011	Amount Due in One Year
General Obligation Bonds:					
2004 School Improvement Refunding					
Bonds - Serial Bonds 2.0-4.1%	\$ 3,215,000	\$ 0	\$ (600,000)	\$ 2,615,000	\$ 615,000
Capital Appreciation Bonds-10.65%	498,806	0	0	498,806	0
Accretion on Capital Appreciation					
Bonds	444,819	103,172	0	547,991	0
<i>Total General Obligation Bonds</i>	4,158,625	103,172	(600,000)	3,661,797	615,000
Compensated Absences	1,729,916	144,155	(101,580)	1,772,491	77,803
Capital Lease Payable	109,886	0	(42,087)	67,799	44,538
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 5,998,427</u>	<u>\$ 247,327</u>	<u>\$ (743,667)</u>	<u>\$ 5,502,087</u>	<u>\$ 737,341</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, 2011 was \$3,980,000.

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.

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 2011, \$103,172 was accreted for a total bond liability of \$1,046,797.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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				
2012	\$ 615,000	\$ 91,457	\$ 0	\$ 0	\$ 615,000	\$ 91,457
2013	0	80,695	261,353	373,647	261,353	454,342
2014	0	80,695	237,453	402,547	237,453	483,242
2015	640,000	67,895	0	0	640,000	67,895
2016	665,000	41,795	0	0	665,000	41,795
2017	695,000	14,248	0	0	695,000	14,248
Total	<u>\$ 2,615,000</u>	<u>\$ 376,785</u>	<u>\$ 498,806</u>	<u>\$ 776,194</u>	<u>\$ 3,113,806</u>	<u>\$ 1,152,979</u>

NOTE 15: CAPITALIZED LEASE

In prior years the District entered into a lease agreement for copy machines. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

These assets have been capitalized in the governmental capital assets in the amount of \$205,250, 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.

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, 2011:

Year ending June 30,	2012	<u>Copiers</u> \$ 47,462
	2013	23,731
		71,193
Less amount representing interest		<u>3,394</u>
Present value of minimum lease payments		<u>\$ 67,799</u>

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 16: INTERFUND BALANCES

As of June 30, 2011, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	Receivable	Payable
Fund:		
General	\$ 223,874	\$ 0
Other Governmental:		
Title VI-B	0	139,170
Title I	0	71,745
Title II-A	0	12,959
Totals	\$ 223,874	\$ 223,874

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, 2011 are reported on the Statement of Net Assets.

NOTE 17: FUND BALANCE

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

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

	General	Other Governmental Funds	Total
Restricted for:			
General Fund	\$ 129,036	\$ 0	\$ 129,036
Debt Service	0	690,633	690,633
Capital Outlay	0	282,853	282,853
Special Education	0	121,027	121,027
Other Purposes	0	271,157	271,157
Total Restricted	129,036	1,365,670	1,494,706
Assigned for:			
Encumbrances	360,616	0	360,616
Subsequent Year Appropriations	1,015,777	0	1,015,777
Total Assigned	1,376,393	0	1,376,393
Unassigned	5,369,164	(32,714)	5,336,450
<i>Total Fund Balance</i>	\$ 6,874,593	\$ 1,332,956	\$ 8,207,549

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 18: 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 \$81,262 for services provided during fiscal year 2011.

B. Buckeye Joint Vocational School District (JVS)

The Buckeye Joint Vocational School District (JVS) is a jointly governed organization providing vocational services to its 11 Districts. The JVS is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the District's continued participation and no measurable equity interest exists. During fiscal year 2011, no monies were paid to the JVS from the District.

C. Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2011, no monies were paid to the TCTIRC from the District.

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, 2011

NOTE 19: 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 20: 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 2011.

NOTE 21: 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, 2011.

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.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 22: SET-ASIDES

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.

	Textbooks	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2010	\$ 0	\$ 0
Current Year Set-Aside Requirement	387,797	387,797
Contributions in Excess of the Current Fiscal Year Set-Aside Requirement	0	0
Current Year Qualifying Disbursements	(238,564)	(568,555)
Excess Qualified Expenditures from Prior Years	(20,197)	0
Current Year Offsets	0	(121,240)
Waiver Granted by Department of Education	0	0
Prior Year Offsets from Bond Proceeds	0	0
	<u>0</u>	<u>0</u>
Totals	<u>\$ 129,036</u>	<u>\$ (301,998)</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$ 129,036</u>	<u>\$ 0</u>

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. The District had amounts remaining at the end of the fiscal year-end for textbook set-asides which will be presented on the balance sheet as a restricted fund balance. Effective July 1, 2011, textbook set-aside laws have been repealed.

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2010	84.010	\$44,742		\$57,053	
	2011		238,868		224,080	
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	11,721		23,687	
	2011		69,067		40,378	
<i>Total Title I Grants to Local Educational Agencies</i>			364,398		345,198	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2010	84.027	85,948		114,211	
	2011		456,050		423,278	
ARRA - Special Education Grants to States (IDEA Part B)	2010	84.391	46,086		56,768	
	2011		262,204		242,705	
<i>Total Special Education - Grants to States (IDEA Part B)</i>			850,288		836,962	
Special Education - Preschool Grants	2011	84.173	9,472		9,472	
<i>Total Special Education Cluster</i>			859,760		846,434	
Safe and Drug Free Schools and Communities State Grants	2011	84.186	0		268	
Technology Literacy Challenge Fund Grants	2010	84.318	0		24	
	2011		961		961	
<i>Total Technology Literacy Challenge Fund Grants</i>			961		985	
Improving Teacher Quality State Grants	2010	84.367	15,135		19,749	
	2011		77,758		71,588	
<i>Total Improving Teacher Quality State Grants</i>			92,893		91,337	
ARRA - State Fiscal Stabilization Fund	2010	84.394	0		1,008	
	2011		470,821		387,352	
<i>Total ARRA - State Fiscal Stabilization Fund</i>			470,821		388,360	
Total U.S. Department of Education			1,788,834		1,672,582	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Programs	N/A	10.555		\$61,346		\$61,346
Cash Assistance:						
National School Lunch Program	N/A	10.555	409,421		409,421	
Total U.S. Department of Agriculture - Child Nutrition Cluster			409,421	61,346	409,421	61,346
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>(Passed through the Ohio Department of Developmental Disabilities)</i>						
Community Alternative Funding System	N/A	93.778	39,962		3,127	
Total U.S. Department of Health and Human Services			39,962		3,127	
Total			\$2,238,217	\$61,346	\$2,085,130	\$61,346

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
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • 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 6th Street
Dover, Ohio 44622

To the Board of Education:

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 30, 2011.

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

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

Dave Yost
Auditor of State

December 30, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Dover City School District
Tuscarawas County
219 West 6th 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 could directly and materially affect each of District's major federal programs for the year ended June 30, 2011. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

December 30, 2011

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster (includes ARRA) – CFDA #84.010, #84.389 Special Education Cluster (includes ARRA) – CFDA #84.027, #84.173, #84.391 State Fiscal Stabilization Fund (ARRA Program) – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

DOVER CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2012