



OHIO AUDITOR OF STATE
KEITH FABER



**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
JUNE 30, 2019**

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TUSCARAWAS COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2020

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Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The discussion and analysis of the Dover City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- Net position increased \$4,494,522, which represents a 54 percent increase from 2018.
- Capital assets increased \$22,189,529 during fiscal year 2019.
- During the fiscal year, outstanding debt decreased from \$25,585,829 to \$25,028,270.
- During the fiscal year, the School District continued construction on their OFCC project to build a new high school.

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 School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the building fund, and the classroom facilities fund.

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

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

Reporting the School District's Fiduciary Responsibilities

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

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	\$ 53,882,478	\$ 70,191,996	\$ (16,309,518)
Net OPEB Asset	1,830,709	0	1,830,709
Capital Assets	34,668,742	12,479,213	22,189,529
<i>Total Assets</i>	90,381,929	82,671,209	7,710,720
Deferred Outflows of Resources			
Pension & OPEB	8,632,972	10,281,502	(1,648,530)
Liabilities			
Current Liabilities	10,066,262	4,625,570	5,440,692
Long-Term Liabilities:			
Due Within One Year	736,141	689,311	46,830
Due in More Than One Year			
Pension & OPEB	32,197,748	38,072,450	(5,874,702)
Other Amounts	26,175,794	26,714,221	(538,427)
<i>Total Liabilities</i>	69,175,945	70,101,552	(925,607)
Deferred Inflows of Resources			
Property Taxes	11,999,494	12,170,868	(171,374)
Pension & OPEB	5,055,894	2,391,245	2,664,649
<i>Total Deferred Inflows of Resources</i>	17,055,388	14,562,113	2,493,275
Net Position			
Net Investment in Capital Assets	17,132,317	9,540,816	7,591,501
Restricted	17,201,339	24,266,239	(7,064,900)
Unrestricted	(21,550,088)	(25,518,009)	3,967,921
<i>Total Net Position</i>	\$ 12,783,568	\$ 8,289,046	\$ 4,494,522

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
- 2 Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these assets/liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2019 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

At fiscal year-end, capital assets represented 38 percent of total assets. Capital assets include land and land improvements, buildings and building improvements, improvements other than buildings, furniture and fixtures, vehicles, and construction in progress. Net investment in capital assets was \$17,132,317 at June 30, 2019. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$17,201,339, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit balance of \$21,550,088, which is primarily caused by the implementation of GASB 68 and 75.

Current and other assets decreased significantly during the fiscal year, specifically equity in pooled cash and investments and intergovernmental receivables. The decrease in equity and pooled cash was the result of the School District spending bond proceeds to pay for construction costs. The decrease in intergovernmental receivables can be attributed to the School District drawing down funds from the Ohio Facilities Construction Commission ("OFCC"). Both of these decreases relate to the ongoing project for the new high school.

Cash and cash equivalents with fiscal agent decreased significantly during the fiscal year as a result of cash basis receipts outpacing expenditures for the School Districts self-insurance program based on the timing of premium collections versus the payment of insurance claims.

Contracts payable had a significant increase from prior year as the result of a timing lag from when construction costs, related to the OFCC new high school project, were completed and then paid for.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities		
	2019	2018	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 995,113	\$ 1,004,176	\$ (9,063)
Operating Grants	3,361,118	3,277,159	83,959
Capital Grants	246,582	184,100	62,482
<i>Total Program Revenues</i>	<u>4,602,813</u>	<u>4,465,435</u>	<u>137,378</u>
<i>General Revenues:</i>			
Property Taxes	14,363,557	13,022,706	1,340,851
Grants and Entitlements Not Restricted	10,490,158	10,158,844	331,314
Investment Earnings	609,357	357,516	251,841
Other	175,110	64,531	110,579
<i>Total General Revenues</i>	<u>25,638,182</u>	<u>23,603,597</u>	<u>2,034,585</u>
<i>Total Revenues</i>	<u>30,240,995</u>	<u>28,069,032</u>	<u>2,171,963</u>
Program Expenses			
<i>Instruction:</i>			
Regular	11,647,997	4,622,625	7,025,372
Special	2,924,673	1,534,708	1,389,965
Vocational	16,509	13,778	2,731
Student Intervention Services	228,939	257,543	(28,604)
Other	762,899	600,768	162,131
<i>Support Services:</i>			
Pupils	717,232	161,189	556,043
Instructional Staff	544,079	331,827	212,252
Board of Education	67,108	170,285	(103,177)
Administration	1,974,787	1,204,016	770,771
Fiscal	659,556	647,186	12,370
Operation and Maintenance of Plant	2,097,621	1,912,129	185,492
Pupil Transportation	1,016,956	799,858	217,098
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	879,356	780,340	99,016
Community Services	212,514	162,662	49,852
Extracurricular Activities	1,089,085	692,582	396,503
<i>Debt Service:</i>			
Interest and Fiscal Charges	907,162	927,659	(20,497)
<i>Total Expenses</i>	<u>25,746,473</u>	<u>14,819,155</u>	<u>10,927,318</u>
<i>Increase (Decrease) in Net Position</i>	4,494,522	13,249,877	(8,755,355)
<i>Net Position at Beginning of Year</i>	8,289,046	(4,960,831)	13,249,877
<i>Net Position at End of Year</i>	<u>\$ 12,783,568</u>	<u>\$ 8,289,046</u>	<u>4,494,522</u>

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The increase in property tax revenue during the fiscal year can be attributed to the significant increase in the amount available for advance in fiscal year 2019. Investment earnings increased significantly during the fiscal year as a result of the School District's investment accounts showing increased returns due to fluctuations in the market.

Overall, program expenses increased significantly. The changes in program expenses are primarily associated to changes in the School District's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2019	2018	2019	2018
Instruction:				
Regular	\$ 11,647,997	\$ 4,622,625	\$ 11,188,944	\$ 4,091,207
Special	2,924,673	1,534,708	1,292,937	(162,715)
Vocational	16,509	13,778	(56,522)	(31,457)
Student Intervention Services	228,939	257,543	228,939	66,763
Other	762,899	600,768	437,440	435,740
Support Services:				
Pupils	717,232	161,189	441,500	35,942
Instructional Staff	544,079	331,827	520,264	331,827
Board of Education	67,108	170,285	67,108	170,285
Administration	1,974,787	1,204,016	1,946,579	1,182,075
Fiscal	659,556	647,186	659,556	647,186
Operation and Maintenance of Plant	2,097,621	1,912,129	1,945,858	1,709,428
Pupil Transportation	1,016,956	799,858	1,003,950	786,580
Operation of Non-Instructional Services:				
Food Service Operations	879,356	780,340	33,955	(48,013)
Community Services	212,514	162,662	14,839	(15,128)
Extracurricular Activities	1,089,085	692,582	511,151	226,341
Debt Service:				
Interest and Fiscal Charges	907,162	927,659	907,162	927,659
<i>Total Expenses</i>	\$ 25,746,473	\$ 14,819,155	\$ 21,143,660	\$ 10,353,720

The dependence upon general revenues for governmental activities is apparent. Over 82 percent of governmental activities are supported through taxes and other general revenues; such revenues are 85 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Dover City School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2019 was a decrease of \$943,632. Revenues and expenditures both increased slightly, when compared to the prior year. The change in fund balance is simply the result of expenditures outpacing revenues.

The building fund's net change in fund balance for fiscal year 2019 was a decrease of \$3,868,092, which was the result of expenditures related to the OFCC construction project.

The classroom facilities fund's net change in fund balance for fiscal year 2019 was a decrease of \$10,379,339, due to the timing of OFCC draw downs versus OFCC construction project payments and spending down bond proceeds.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Original Budget Compared to Final Budget During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was not significant.

Final Budget Compared to Actual Results There were no significant differences between estimated revenues and other financing sources and actual revenues and financing sources. Actual expenditures and financing uses were lower than estimated appropriations and other financing uses due to conservative spending.

Dover City School District
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Management's Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2019 balances compared with 2018. See Note 7 for more information about the capital assets of the School District.

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

	Governmental Activities	
	2019	2018
Land	\$ 3,002,879	\$ 2,991,352
Construction in Progress	24,458,668	2,198,887
Buildings and Building Improvements	6,170,990	6,216,809
Improvements Other Than Buildings	77,011	65,684
Furniture and Fixtures	578,363	611,002
Vehicles	380,831	395,479
<i>Totals</i>	\$ 34,668,742	\$ 12,479,213

The \$22,189,529 increase in capital assets was primarily attributable to construction costs for a new high school, as previously discussed.

Debt

Table 5 summarizes bonds outstanding. See Note 12 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2019	2018
Classroom Facilities & School Improvement Bonds, Series 2017-1	\$ 15,711,863	\$ 15,972,176
Classroom Facilities & School Improvement Bonds, Series 2017-2	9,288,078	9,568,973
Lease Purchase	28,329	44,680
<i>Total</i>	\$ 25,028,270	\$ 25,585,829

Current Issues

The Dover City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. An emergency operating levy was passed in March 2008 and began collecting in 2009. This levy and a previous one were renewed in 2012 for an additional ten more years. The School District had an emergency operating levy on the ballot in May 2019 for an additional 6.9 mills in operating funds, which did not pass.

Dover City School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

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 47 percent of revenues for governmental activities for the Dover City School District in fiscal year 2019.

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

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

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

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

Contacting the School District's Financial Management

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

Dover City School District
Tuscarawas County, Ohio
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 25,447,752
Cash and Cash Equivalents with Fiscal Agent	3,714,997
Receivables:	
Accounts	99,187
Intergovernmental	10,620,009
Property Taxes	13,974,472
Prepaid Items	26,061
Net OPEB Asset	1,830,709
Nondepreciable Capital Assets	27,461,547
Depreciable Capital Assets (Net)	7,207,195
<i>Total Assets</i>	90,381,929
Deferred Outflows of Resources	
Pension	8,201,390
OPEB	431,582
<i>Total Deferred Outflows of Resources</i>	8,632,972
Liabilities	
Accounts Payable	95,546
Accrued Wages and Benefits	2,848,146
Contracts Payable	5,251,158
Intergovernmental Payable	467,278
Retainage Payable	560,473
Matured Compensated Absences Payable	44,695
Accrued Interest Payable	155,263
Claims Payable	249,525
Unearned Revenue	394,178
Long Term Liabilities:	
Due Within One Year	736,141
Due In More Than One Year:	
Net Pension Liability	29,849,528
Net OPEB Liability	2,348,220
Other Amonts Due in More Than One Year	26,175,794
<i>Total Liabilities</i>	69,175,945
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	11,999,494
Pension	1,948,029
OPEB	3,107,865
<i>Total Deferred Inflows of Resources</i>	17,055,388
Net Position	
Net Investment in Capital Assets	17,132,317
Restricted For:	
Capital Outlay	16,205,981
Other Purposes	995,358
Unrestricted	(21,550,088)
<i>Total Net Position</i>	\$ 12,783,568

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 11,647,997	\$ 133,128	\$ 325,925	\$ 0	\$ (11,188,944)
Special	2,924,673	0	1,631,736	0	(1,292,937)
Vocational	16,509	0	73,031	0	56,522
Student Intervention Services	228,939	0	0	0	(228,939)
Other	762,899	155,436	170,023	0	(437,440)
Support Services:					
Pupils	717,232	0	275,732	0	(441,500)
Instructional Staff	544,079	0	23,815	0	(520,264)
Board of Education	67,108	0	0	0	(67,108)
Administration	1,974,787	0	28,208	0	(1,946,579)
Fiscal	659,556	0	0	0	(659,556)
Operation and Maintenance of Plant	2,097,621	0	25,201	126,562	(1,945,858)
Pupil Transportation	1,016,956	0	11,853	1,153	(1,003,950)
Operation of Non-Instructional Services:					
Food Service Operations	879,356	272,421	572,980	0	(33,955)
Community Services	212,514	0	197,675	0	(14,839)
Extracurricular Activities	1,089,085	434,128	24,939	118,867	(511,151)
Debt Service:					
Interest and Fiscal Charges	907,162	0	0	0	(907,162)
Total	\$ 25,746,473	\$ 995,113	\$ 3,361,118	\$ 246,582	(21,143,660)

General Revenues

Property Taxes Levied for:		
General Purposes		12,538,015
Debt Service		1,514,273
Capital Outlay		146,824
Classroom Facilities Maintenance		164,445
Grants and Entitlements Not Restricted to Specific Programs		10,490,158
Investment Earnings		609,357
Miscellaneous		175,110
Total General Revenues		25,638,182
<i>Change in Net Position</i>		4,494,522
<i>Net Position Beginning of Year</i>		8,289,046
<i>Net Position End of Year</i>		\$ 12,783,568

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
June 30, 2019

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 5,419,223	\$ 5,037,071	\$ 12,835,453	\$ 2,156,005	\$ 25,447,752
Receivables:					
Accounts	86,303	0	2,516	10,368	99,187
Interfund	96,617	0	0	0	96,617
Intergovernmental	16,267	0	10,297,742	306,000	10,620,009
Property Taxes	12,217,268	0	0	1,757,204	13,974,472
Prepaid Items	26,061	0	0	0	26,061
Total Assets	\$ 17,861,739	\$ 5,037,071	\$ 23,135,711	\$ 4,229,577	\$ 50,264,098
Liabilities					
Accounts Payable	\$ 77,581	\$ 1,811	\$ 2,524	\$ 13,630	\$ 95,546
Accrued Wages and Benefits	2,575,767	0	0	272,379	2,848,146
Contracts Payable	179,463	573,552	4,498,143	0	5,251,158
Intergovernmental Payable	424,038	0	0	43,240	467,278
Retainage Payable	0	77,766	482,707	0	560,473
Matured Compensated Absences Payable	44,695	0	0	0	44,695
Interfund Payable	0	0	0	96,617	96,617
Total Liabilities	3,301,544	653,129	4,983,374	425,866	9,363,913
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	10,490,631	0	0	1,508,863	11,999,494
Unavailable Revenue	228,258	0	5,506,232	132,908	5,867,398
Total Deferred Inflows of Resources	10,718,889	0	5,506,232	1,641,771	17,866,892
Fund Balances					
Nonspendable	26,061	0	0	0	26,061
Restricted	0	4,383,942	12,646,105	2,264,126	19,294,173
Assigned	1,782,159	0	0	0	1,782,159
Unassigned	2,033,086	0	0	(102,186)	1,930,900
Total Fund Balances	3,841,306	4,383,942	12,646,105	2,161,940	23,033,293
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,861,739	\$ 5,037,071	\$ 23,135,711	\$ 4,229,577	\$ 50,264,098

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		\$ 23,033,293
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,668,742
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 5,615,445	
Accounts	63,511	
Delinquent Property Taxes	188,442	5,867,398
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		3,071,294
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(155,263)
The net pension and OPEB asset/liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.		
Net OPEB Asset	1,830,709	
Deferred Outflows - Pension	8,201,390	
Deferred Outflows - OPEB	431,582	
Net Pension Liability	(29,849,528)	
Net OPEB Liability	(2,348,220)	
Deferred Inflows - Pension	(1,948,029)	
Deferred Inflows - OPEB	(3,107,865)	(26,789,961)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
General Obligation Bonds	(24,060,000)	
Bond Premium	(1,061,878)	
Bond Discount	121,937	
Lease Purchase	(28,329)	
Capital Lease Obligation	(68,692)	
Compensated Absences	(1,814,973)	(26,911,935)
<i>Net Position of Governmental Activities</i>		\$ 12,783,568

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 12,540,407	\$ 0	\$ 0	\$ 1,825,906	\$ 14,366,313
Intergovernmental	11,008,337	0	7,285,331	2,379,379	20,673,047
Investment Income	199,824	125,429	356,002	10,247	691,502
Tuition and Fees	130,061	0	0	0	130,061
Extracurricular Activities	158,503	0	0	434,128	592,631
Charges for Services	0	0	0	272,421	272,421
Contributions and Donations	270,431	118,867	0	27,225	416,523
Miscellaneous	111,599	0	0	0	111,599
Total Revenues	24,419,162	244,296	7,641,333	4,949,306	37,254,097
Expenditures					
Current:					
Instruction:					
Regular	13,563,250	0	0	353,745	13,916,995
Special	2,761,661	0	0	654,435	3,416,096
Vocational	6,032	0	0	10,477	16,509
Student Intervention Services	65,884	0	0	162,403	228,287
Other	798,435	0	0	0	798,435
Support Services:					
Pupils	650,782	0	0	251,994	902,776
Instructional Staff	571,934	0	0	18,809	590,743
Board of Education	67,108	0	0	0	67,108
Administration	2,237,372	0	0	25,586	2,262,958
Fiscal	654,025	0	0	31,470	685,495
Operation and Maintenance of Plant	2,020,935	859	43,208	88,724	2,153,726
Pupil Transportation	882,034	0	0	86,550	968,584
Extracurricular Activities	735,978	0	0	389,133	1,125,111
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	902,797	902,797
Community Services	0	0	0	213,952	213,952
Capital Outlay	292,935	4,111,529	18,103,073	154,635	22,662,172
Debt Service:					
Principal Retirement	37,568	0	0	495,000	532,568
Interest and Fiscal Charges	16,861	0	0	938,975	955,836
Total Expenditures	25,362,794	4,112,388	18,146,281	4,778,685	52,400,148
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(943,632)</i>	<i>(3,868,092)</i>	<i>(10,504,948)</i>	<i>170,621</i>	<i>(15,146,051)</i>
Other Financing Sources (Uses)					
Transfers In	0	0	125,609	199,215	324,824
Transfers Out	0	0	0	(324,824)	(324,824)
Total Other Financing Sources (Uses)	0	0	125,609	(125,609)	0
Net Change in Fund Balance	(943,632)	(3,868,092)	(10,379,339)	45,012	(15,146,051)
Fund Balances Beginning of Year	4,784,938	8,252,034	23,025,444	2,116,928	38,179,344
Fund Balances End of Year	\$ 3,841,306	\$ 4,383,942	\$ 12,646,105	\$ 2,161,940	\$ 23,033,293

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	(15,146,051)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 22,681,940	
Current Year Depreciation	<u>(485,851)</u>	22,196,089
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.		
		(6,560)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(2,756)	
Miscellaneous	63,511	
Intergovernmental	<u>(7,127,388)</u>	(7,066,633)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	495,000	
Lease Purchase	16,351	
Capital Leases	<u>21,217</u>	532,568
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	2,466	
Amortization of Premium on Bonds	50,669	
Amortization of Refunding Loss/Gain	<u>(4,461)</u>	48,674
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	2,192,801	
OPEB	<u>54,050</u>	2,246,851
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB asset/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(2,754,892)	
OPEB	<u>3,900,273</u>	1,145,381
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		
		631,382
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(87,179)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>4,494,522</u></u>

See accompanying notes to the basic financial statements.

**Dover City School District
Tuscarawas County, Ohio**

*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Financing Sources	\$ 23,483,195	\$ 23,683,195	\$ 23,753,251	\$ 70,056
Expenditures and Other Financing Uses	26,115,461	26,300,461	25,765,141	535,320
Net Change in Fund Balance	(2,632,266)	(2,617,266)	(2,011,890)	605,376
<i>Fund Balance Beginning of Year</i>	5,949,071	5,949,071	5,949,071	0
Prior Year Encumbrances Appropriated	650,497	650,497	650,497	0
<i>Fund Balance End of Year</i>	<u>\$ 3,967,302</u>	<u>\$ 3,982,302</u>	<u>\$ 4,587,678</u>	<u>\$ 605,376</u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Governmental Activities - Internal Service Fund
	<u> </u>
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 3,714,997
	<u> </u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	249,525
Unearned Revenue	394,178
<i>Total Current Liabilities</i>	<u>643,703</u>
Net Position	
Unrestricted	\$ 3,071,294
	<u> </u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$ 4,674,622</u>
Operating Expenses	
Purchased Services	781,249
Claims	<u>3,315,522</u>
<i>Total Operating Expenses</i>	<u>4,096,771</u>
<i>Operating Income (Loss)</i>	<u>577,851</u>
Non-Operating Revenues (Expenses)	
Interest	<u>53,531</u>
<i>Change in Net Position</i>	631,382
<i>Net Position Beginning of Year</i>	<u>2,439,912</u>
<i>Net Position End of Year</i>	<u><u>\$ 3,071,294</u></u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 4,674,083
Cash Paid for Goods and Services	(781,249)
Cash Paid for Claims	(3,289,783)
<i>Net Cash Provided By Operating Activities</i>	<u>603,051</u>
Cash Flows From Investing Activities	
Interest on Investments	<u>53,531</u>
<i>Net Increase in Cash and Cash Equivalents</i>	656,582
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>3,058,415</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 3,714,997</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ 577,851
Adjustments:	
Increase (Decrease) in Liabilities:	
Unearned Revenue	(539)
Claims Payable	<u>25,739</u>
<i>Total Adjustments</i>	<u>25,200</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 603,051</u></u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 381,463	\$ 154,989
Investments in Segregated Accounts	19,096	0
<i>Total Assets</i>	400,559	\$ 154,989
 Liabilities		
Due to Students	0	\$ 154,989
 Net Position		
Held in Trust for Scholarships	\$ 400,559	

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 23,355
Investment Earnings	1,593
	24,948
<i>Total Additions</i>	<i>24,948</i>
Deductions	
Payments in Accordance with Trust Agreements	39,784
	(14,836)
<i>Change in Net Position</i>	<i>(14,836)</i>
<i>Net Position Beginning of Year</i>	<i>415,395</i>
<i>Net Position End of Year</i>	<i>\$ 400,559</i>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

The School District is involved with Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), Buckeye Joint Vocational School District (JVS), and Tuscarawas County Tax Incentive Review Council (TCTIRC), which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Dover Public Library is a related organization of the School District. Additional information about these organizations is presented in Notes 15, 16 and 17 to the basic financial statements.

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a *Statement of Net Position* and a *Statement of Activities*, and fund financial statements which provide a more detailed level of financial information.

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

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

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

Building Fund - The building fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District being financed through debt proceeds.

Classroom Facilities Fund - The classroom facilities fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

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

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

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

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C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide *Statement of Net Position* for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide *Statement of Net Position* and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the *Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities*. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide *Statement of Net Position*. (See Notes 10 and 11).

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

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

E. Cash and Investments

During fiscal year 2019, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

The School District also invests in federal agency securities, U.S. Treasury bills and notes, commercial paper, a money market account, an annuity and certificates of deposit. Investments are reported at fair value which is based on quoted market prices. An analysis of the School District's investment account at fiscal year end is provided in Note 4.

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 2019 amounted to \$199,824 which includes \$27,559 assigned from other School District funds.

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

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

F. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide *Statement of Net Position* but are not reported in the fund financial statements.

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

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

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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

G. Interfund Balances

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

H. Compensated Absences

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

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

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

I. Unearned Revenue

Unearned Revenue reported on the *Statement of Net Position* and the *Statement of Fund Net Position* for the internal service fund represents early payments received for self-insurance funding for July 2019.

J. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Bond Discounts and Premiums

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses.

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2019, there was no net position restricted by enabling legislation.

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

N. Fund Balance

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

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

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

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

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

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

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

O. 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.

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P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Q. 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 2019.

R. 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.

S. 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 of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. 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 of Education appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board of Education throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board of Education during the fiscal year.

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T. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual*, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balance	
GAAP Basis	\$ (943,632)
Net Adjustment for Revenue Accruals	(412,608)
Net Adjustment for Expenditure Accruals	159,374
Funds Budgeted Elsewhere	(5,588)
Adjustment for Encumbrances	<u>(809,436)</u>
Budget Basis	<u>\$ (2,011,890)</u>

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** 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 4: DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred seventy days, respectively, from the purchase date in any amount not to exceed forty 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At year-end, \$1,933,402 of the School District's bank balance of \$8,277,181 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Two of the School District's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and one was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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Investments As of June 30, 2019, the School District had the following investments and maturities:

Rating	Investment Type	Measurement	Maturity (in Months)			Percent of Total
		Amount	0-12	12-36	More than 36	
Net Asset Value:						
AAA	Money Market	\$ 652,427	\$ 652,427	\$ 0	\$ 0	3.58%
AAAm	Star Ohio	280,159	280,159	0	0	1.54%
N/A	Annuity	19,096	19,096	0	0	0.10%
Fair Value:						
A+	Commercial Paper	1,286,935	1,286,935	0	0	7.06%
A	Commercial Paper	4,064,566	4,064,566	0	0	22.31%
A+	US Treasury Bill	762,205	762,205	0	0	4.18%
AA+	US Treasury Note	4,260,255	4,260,255	0	0	23.39%
AA+	Federal Home Loan Bank	250,225	0	250,225	0	1.37%
A+	Federal Home Loan Bank	1,999,756	1,999,756	0	0	10.98%
AA+	Federal Home Loan Mortgage	1,650,089	1,398,982	251,107	0	9.06%
N/A	Negotiable Certificates of Deposit	2,993,022	0	1,992,215	1,000,807	16.43%
Total		\$ 18,218,735	\$ 14,724,381	\$ 2,493,547	\$ 1,000,807	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

Credit Risk. The School District's investments at June 30, 2019 are rated as shown above by S & P Global Rating. The School District's annuity is an unrated investment.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019, is 53 days.

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

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The previous table includes the percentage to total of each investment type held by the School District at June 30, 2019.

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Funds Held by Fiscal Agent

The School District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was \$3,714,997. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 5: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 369,098,790	98%	\$ 371,977,880	98%
Public Utility Personal Property	8,103,950	2%	9,489,020	2%
Total	\$ 377,202,740	100%	\$ 381,466,900	100%
Full Tax Rate Per \$1,000 of assessed valuation	\$ 60.87		\$ 60.87	

NOTE 6: RECEIVABLES

Receivables at June 30, 2019 consisted of taxes, interfund, accounts 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.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 06/30/2018	Additions	Deletions	Balance 06/30/2019
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land and Land Improvements	\$ 2,991,352	\$ 11,527	\$ 0	\$ 3,002,879
Construction in Progress	2,198,887	22,259,781	0	24,458,668
<i>Total Capital Assets not being depreciated</i>	5,190,239	22,271,308	0	27,461,547
<i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	16,217,493	274,271	0	16,491,764
Improvements Other Than Buildings	214,197	15,795	0	229,992
Furniture and Fixtures	1,673,974	34,016	0	1,707,990
Vehicles	1,385,245	86,550	(99,054)	1,372,741
<i>Total Capital Assets being depreciated</i>	19,490,909	410,632	(99,054)	19,802,487
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(10,000,684)	(320,090)	0	(10,320,774)
Improvements Other Than Buildings	(148,513)	(4,468)	0	(152,981)
Furniture and Fixtures	(1,062,972)	(66,655)	0	(1,129,627)
Vehicles	(989,766)	(94,638)	92,494	(991,910)
<i>Total Accumulated Depreciation</i>	(12,201,935)	(485,851) *	92,494	(12,595,292)
<i>Total Capital Assets being depreciated, net</i>	7,288,974	(75,219)	(6,560)	7,207,195
<i>Governmental Activities Capital Assets, Net</i>	\$ 12,479,213	\$ 22,196,089	\$ (6,560)	\$ 34,668,742

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*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 225,841
Special	14,327
Support Services:	
Pupils	5,085
Instructional Staff	654
Administration	12,483
Fiscal Services	362
Operation and Maintenance of Plant	23,323
Pupil Transportation	92,692
Operation of Non-Instructional Services:	
Food Service Operations	7,873
Community Services	1,484
Extracurricular Activities	101,727
Total Depreciation Expense	\$ 485,851

NOTE 8: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$96,207,872. The School District's vehicle insurance policy limit is \$1,000,000 with a \$250 comprehensive deductible. All Board of Education members, administrators, and employees are covered under a School District liability policy. Additionally, the School District carries a \$4,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Treasurer is covered under a surety bond in the amount of \$50,000.

C. Workers' Compensation

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

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For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

D. Employee Medical Benefits

Medical, surgical and dental insurance is offered to all employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$249,525 reported in the internal service fund at June 30, 2019, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2019 and 2018 are as follows:

	Balance <u>Beginning of Year</u>	Current <u>Year Claims</u>	Claims <u>Payments</u>	Balance <u>End of Year</u>
2018	\$ 245,390	\$ 3,902,462	\$ 3,924,066	\$ 223,786
2019	223,786	3,315,522	3,289,783	249,525

NOTE 9: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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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 221 days for teachers, or the number of contracted days for classified, non-bargaining and administrative employees. Upon completion of five or more years of service to the School District, State, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 55 days for all employees. Employees with less than five years of service are eligible under ORC 124.39 to receive the minimum severance payment specified by law.

B. Life Insurance

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

NOTE 10: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

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The School District's contractually required contribution to SERS was \$362,033 for fiscal year 2019. Of this amount, \$36,372 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 31 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,830,768 for fiscal year 2019. Of this amount, \$302,924 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.08379850%	0.11392811%	
Prior Measurement Date	0.08093980%	0.11219644%	
Change in Proportionate Share	<u>0.00285870%</u>	<u>0.00173167%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 4,799,295	\$ 25,050,233	\$ 29,849,528
Pension Expense	\$ 219,613	\$ 2,535,279	\$ 2,754,892

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 263,211	\$ 578,239	\$ 841,450
Changes of Assumptions	108,377	4,439,374	4,547,751
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	103,924	515,464	619,388
School District Contributions Subsequent to the Measurement Date	362,033	1,830,768	2,192,801
Total Deferred Outflows of Resources	<u>\$ 837,545</u>	<u>\$ 7,363,845</u>	<u>\$ 8,201,390</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 163,593	\$ 163,593
Net Difference between Projected and Actual Earnings on Pension Plan Investments	132,972	1,519,018	1,651,990
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	1,387	131,059	132,446
Total Deferred Inflows of Resources	<u>\$ 134,359</u>	<u>\$ 1,813,670</u>	<u>\$ 1,948,029</u>

\$2,192,801 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 421,224	\$ 2,310,700	\$ 2,731,924
2021	118,211	1,501,322	1,619,533
2022	(157,501)	168,242	10,741
2023	(40,781)	(260,857)	(301,638)
	<u>\$ 341,153</u>	<u>\$ 3,719,407</u>	<u>\$ 4,060,560</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 6,760,169	\$ 4,799,295	\$ 3,155,234

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 36,582,568	\$ 25,050,233	\$ 15,289,677

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Asset/Liability

The net OPEB asset/liability reported on the statement of net position represents an asset or liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net OPEB asset/liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the asset/liability is solely that of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees, which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB asset/liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$40,641.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$54,050 for fiscal year 2019. Of this amount \$41,988 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.08464280%	0.11392811%	
Prior Measurement Date	0.08221670%	0.11219644%	
Change in Proportionate Share	<u>0.00242610%</u>	<u>0.00173167%</u>	
Proportionate Share of the Net			
OPEB Liability/(Asset)	\$ 2,348,220	\$ (1,830,709)	\$ 517,511
OPEB Expense	\$ 65,977	\$ (3,966,250)	\$ (3,900,273)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 38,331	\$ 213,830	\$ 252,161
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	63,662	61,709	125,371
School District Contributions Subsequent to the Measurement Date	<u>54,050</u>	<u>0</u>	<u>54,050</u>
Total Deferred Outflows of Resources	<u>\$ 156,043</u>	<u>\$ 275,539</u>	<u>\$ 431,582</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 106,663	\$ 106,663
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,522	209,143	212,665
Changes of Assumptions	210,970	2,494,486	2,705,456
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>54,214</u>	<u>28,867</u>	<u>83,081</u>
Total Deferred Inflows of Resources	<u>\$ 268,706</u>	<u>\$ 2,839,159</u>	<u>\$ 3,107,865</u>

\$54,050 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (104,897)	\$ (460,353)	\$ (565,250)
2021	(78,759)	(460,353)	(539,112)
2022	4,011	(460,353)	(456,342)
2023	5,509	(412,856)	(407,347)
2024	5,265	(396,197)	(390,932)
Thereafter	<u>2,158</u>	<u>(373,508)</u>	<u>(371,350)</u>
	<u>\$ (166,713)</u>	<u>\$ (2,563,620)</u>	<u>\$ (2,730,333)</u>

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Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The long-term expected rate of return on plan factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,849,380	\$ 2,348,220	\$ 1,951,395
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,894,583	\$ 2,348,220	\$ 2,948,917

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3.00 percent	
Discount Rate of Return - Current Year	7.45 percent	
Blended Discount Rate of Return - Prior Year	4.13 percent	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription drug		
Pre-Medicare	8.00 percent	4.00 percent
Medicare	-5.23 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020; however, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,569,089)	\$ (1,830,709)	\$ (2,050,587)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (2,038,175)	\$ (1,830,709)	\$ (1,620,010)

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NOTE 12: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2019 were as follows:

	Outstanding 06/30/2018	Additions	Reductions	Outstanding 06/30/2019	Amount Due in One Year
General Obligation Bonds:					
2017 Classroom Facilities & School Improvement					
Bonds- Series 2017-1	\$ 15,680,000	\$ 0	\$ (250,000)	\$ 15,430,000	\$ 500,000
Unamortized Premium	418,574	0	(14,774)	403,800	0
Unamortized Discount	(126,398)	0	4,461	(121,937)	0
2017 Classroom Facilities & School Improvement					
Bonds- Series 2017-2	8,875,000	0	(245,000)	8,630,000	5,000
Unamortized Premium	693,973	0	(35,895)	658,078	0
Total General Obligation Bonds	25,541,149	0	(541,208)	24,999,941	505,000
Direct Borrowing:					
Lease Purchase	44,680	0	(16,351)	28,329	20,438
Net Pension/OPEB Liability					
Pension	31,488,479	0	(1,638,951)	29,849,528	0
OPEB	6,583,971	0	(4,235,751)	2,348,220	0
Total Net Pension/OPEB Liability	38,072,450	0	(5,874,702)	32,197,748	0
Other Long Term Obligations					
Compensated Absences	1,727,794	244,435	(157,256)	1,814,973	187,153
Capital Lease Payable	89,909	0	(21,217)	68,692	23,550
Total Other Long Term Obligations	1,817,703	244,435	(178,473)	1,883,665	210,703
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$ 65,475,982	\$ 244,435	\$ (6,610,734)	\$ 59,109,683	\$ 736,141

2016 Lease Purchase

During fiscal year 2016, the School District entered into a lease purchase agreement for a telephone system. The lease is being paid from the general fund. In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due up to amounts for the remainder of the lease term. The lessor may retake possession of the telephone system (secured asset) and charge the School District a repossession fee.

2017 Classroom Facilities and School Improvement Bonds, Series 2017-1

In March 2017 the School District issued \$15,980,000 in general obligation bonds. The proceeds of the bonds will be used for new construction and building improvements throughout the School District. The bonds were issued for a 29 year period with final maturity at November 1, 2046. These bonds were issued with a premium of \$438,271 and a discount of \$132,346. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

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2017 Classroom Facilities and School Improvement Bonds, Series 2017-2

In March 2017 the School District issued \$9,185,000 in general obligation bonds. The proceeds of the bonds will be used for new construction and building improvements throughout the School District. The bonds were issued for a 20 year period with final maturity at November 1, 2037. These bonds were issued with a premium of \$741,833, which is being amortized to interest expense over the life of the bonds using the straight-line method.

Principal and interest requirements to retire the general obligation bonds and lease purchase outstanding at June 30, 2019 are as follows:

	2017 Series 1		2017 Series 2		Lease Purchase		Total	
	School Improvements Bonds		School Improvements Bonds		Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest				
2020	\$ 500,000	\$ 582,188	\$ 5,000	\$ 344,338	\$ 20,438	\$ 4,354	\$ 525,438	\$ 930,880
2021	510,000	572,088	10,000	344,188	7,891	374	527,891	916,650
2022	520,000	556,588	10,000	343,988	0	0	530,000	900,576
2023	545,000	540,738	5,000	343,838	0	0	550,000	884,576
2024	555,000	524,188	5,000	343,725	0	0	560,000	867,913
2025-2029	1,315,000	2,435,525	1,780,000	1,613,069	0	0	3,095,000	4,048,594
2030-2034	250,000	2,360,875	3,480,000	1,026,600	0	0	3,730,000	3,387,475
2035-2039	1,215,000	2,294,033	3,335,000	273,500	0	0	4,550,000	2,567,533
2040-2044	5,745,000	1,525,013	0	0	0	0	5,745,000	1,525,013
2045-2047	4,275,000	260,900	0	0	0	0	4,275,000	260,900
<i>Total</i>	<u>\$15,430,000</u>	<u>\$11,652,136</u>	<u>\$ 8,630,000</u>	<u>\$ 4,633,246</u>	<u>\$ 28,329</u>	<u>\$ 4,728</u>	<u>\$24,088,329</u>	<u>\$16,290,110</u>

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

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

There is no repayment schedule for the net pension liability and net OPEB asset/liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB asset/liability see Notes 10 and 11.

NOTE 13: CAPITALIZED LEASE

During fiscal year 2017, the School District entered into a new lease for copiers. The lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

These assets have been capitalized in the governmental capital assets in the amount of \$70,239, the present value of the minimum lease payments at the inception of the lease. A corresponding liability was recorded in the *Statement of Net Position* and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease. Accumulated depreciation was \$32,780 as of June 30, 2019, leaving a current book value of \$37,459.

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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, 2019:

		Copiers
Year ending June 30,	2020	\$ 29,637
	2021	29,637
	2022	19,757
		79,031
Less amount representing interest		10,339
Present value of minimum lease payments		\$ 68,692

NOTE 14: SET-ASIDES

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

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

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2018	\$ 0
Current Year Set-Aside Requirement	498,719
Prior Year Offset from Bond Proceeds	(498,719)
Total	\$ 0
Balance Carried Forward to Fiscal Year 2020	\$ 0
Set-Aside Restricted Balance as of June 30, 2019	\$ 0

The School District has prior year bond proceeds that may be carried forward to offset future set –aside requirements. The remaining amount of these bond proceeds as of June 30, 2019 is 24,666,281. This negative balance is therefore not presented as being carried forward to future years.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 15: JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member school districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Education Service Agency, Debra Angelo, who serves as Treasurer, 2230 Sunset Boulevard, Suite 2, Steubenville, Ohio 43952. The School District paid \$89,019 for services provided during fiscal year 2019.

B. Buckeye Joint Vocational School District (JVS)

The Buckeye Joint Vocational School District (JVS) is a jointly governed organization providing vocational services to its 11 school districts. The JVS is governed by a board of education comprised of eleven members appointed by the participating schools. The board of education controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the School District's continued participation and no measurable equity interest exists. During fiscal year 2019, the School District paid the JVS \$33,764 for services provided to the School District.

C. Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 56 members, consisting of three members appointed by the County Commissioners, 22 members appointed by municipal corporations, 12 members appointed by township trustees, two members from the county auditor's office, 16 members appointed by boards of education located within the county, and one member representing the Economic Development and Finance Alliance. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2019, no monies were paid to the TCTIRC from the School District.

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 16: INSURANCE PURCHASING POOL

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

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

NOTE 17: RELATED ORGANIZATION

Dover Public Library

The Dover Public Library (the "Library") is a related organization to the School District. The School District Board of Education members are responsible for appointing all the trustees of Dover Public Library; however, the School District Board of Education cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The School District paid \$10,500 for services provided during fiscal year 2019.

NOTE 18: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

B. Litigation

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 19: COMMITMENTS

A. Encumbrance Commitments

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

Fund	Amount
General	\$ 566,640
Building	333,218
Classroom Facilities	17,880,852
Other Governmental	175,556
Total Governmental Funds	\$ 18,956,266

B. Contractual Commitments

As of June 30, 2019, the School District had the following contractual commitments:

	Contractual Commitment	Expended	Balance June 30, 2019
High School Track	\$ 190,787	\$ 179,463	\$ 11,324
New High School	41,726,307	24,170,778	17,555,529
	\$ 41,917,094	\$ 24,350,241	\$ 17,566,853

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

NOTE 20: FUND BALANCE

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

	General	Building	Classroom Facilities	Other Governmental Funds	Total
Nonspendable for:					
Prepaid Items	\$ 26,061	\$ 0	\$ 0	\$ 0	\$ 26,061
Restricted for:					
Debt Service	0	0	0	788,860	788,860
Capital Outlay	0	4,383,942	12,646,105	468,034	17,498,081
Food Service	0	0	0	155,610	155,610
Special Education	0	0	0	398,367	398,367
Classroom Facilities Maintenance	0	0	0	107,374	107,374
Extracurricular Activities	0	0	0	289,934	289,934
Other Purposes	0	0	0	55,947	55,947
Total Restricted	<u>0</u>	<u>4,383,942</u>	<u>12,646,105</u>	<u>2,264,126</u>	<u>19,294,173</u>
Assigned for:					
Instruction	78,760	0	0	0	78,760
Support Services	484,056	0	0	0	484,056
Capital Outlay	3,824	0	0	0	3,824
Subsequent Year Appropriations	1,215,519	0	0	0	1,215,519
Total Assigned	<u>1,782,159</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,782,159</u>
Unassigned	<u>2,033,086</u>	<u>0</u>	<u>0</u>	<u>(102,186) *</u>	<u>1,930,900</u>
<i>Total Fund Balance</i>	<u>\$ 3,841,306</u>	<u>\$ 4,383,942</u>	<u>\$ 12,646,105</u>	<u>\$ 2,161,940</u>	<u>\$ 23,033,293</u>

*Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Non-Major Special Revenue Funds:</u>	<u>Deficit</u>
Title VI-B	\$ 64,729
Title III	4,389
Title I	20,820
Preschool Grant	3,495
Improving Teacher Quality	6,478
Miscellaneous Federal Grants	2,275
	<u>\$ 102,186</u>

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 21: INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at June 30, 2019 consisted of the following:

	Interfund Receivable	Interfund Payable
Fund:		
General	\$ 96,617	\$ 0
Other Governmental:		
Title VI-B	0	58,359
Title III	0	4,573
Title I	0	19,081
Preschool Grant	0	1,905
Title II-A	0	6,759
21st Century	0	5,940
Totals	\$ 96,617	\$ 96,617

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2019, all interfund payables outstanding are anticipated to be repaid in fiscal year 2020.

B. Interfund Transfers

During fiscal year 2019, the School District made the following transfers:

	Transfers In	Transfers Out
Fund:		
Classroom Facilities	\$ 125,609	\$ 0
Other Governmental		
Permanent Improvement	199,215	125,609
OFCC Maintenance	0	199,215
Total Other Governmental	199,215	324,824
Total	\$ 324,824	\$ 324,824

The School District transferred funds during the fiscal year in order to comply to their agreement with the Ohio Facilities Construction Commission.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 22: TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Dover and Franklin Township in Tuscarawas County entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the School District. Under the agreements, the School District property taxes were reduced by \$103,164 during fiscal year 2019.

Dover School District
Tuscarwaras County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
<i>School Employees Retirement System (SERS)</i>						
School District's Proportion of the Net Pension Liability	0.08379850%	0.08093980%	0.08561370%	0.08499100%	0.08574500%	0.08574500%
School District's Proportionate Share of the Net Pension Liability	\$ 4,799,295	\$ 4,835,974	\$ 6,266,133	\$ 4,849,669	\$ 4,339,506	\$ 5,098,980
School District's Covered Payroll	\$ 2,734,185	\$ 2,684,371	\$ 2,673,671	\$ 2,931,222	\$ 2,814,957	\$ 3,074,299
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.53%	180.15%	234.36%	165.45%	154.16%	165.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<i>State Teachers Retirement System (STRS)</i>						
School District's Proportion of the Net Pension Liability	0.11392811%	0.11219644%	0.11295210%	0.11166560%	0.10982192%	0.10982192%
School District's Proportionate Share of the Net Pension Liability	\$ 25,050,233	\$ 26,652,505	\$ 37,808,473	\$ 30,861,106	\$ 26,712,492	\$ 31,819,745
School District's Covered Payroll	\$ 13,046,364	\$ 12,455,307	\$ 12,020,571	\$ 11,833,257	\$ 11,563,315	\$ 12,204,923
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.01%	213.99%	314.53%	260.80%	231.01%	260.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Dover School District
Tuscarwaras County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 362,033	\$ 369,115	\$ 375,812	\$ 374,314
Contributions in Relation to the Contractually Required Contribution	<u>(362,033)</u>	<u>(369,115)</u>	<u>(375,812)</u>	<u>(374,314)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,681,726	\$ 2,734,185	\$ 2,684,371	\$ 2,673,671
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,830,768	\$ 1,826,491	\$ 1,743,743	\$ 1,682,880
Contributions in Relation to the Contractually Required Contribution	<u>(1,830,768)</u>	<u>(1,826,491)</u>	<u>(1,743,743)</u>	<u>(1,682,880)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 13,076,914	\$ 13,046,364	\$ 12,455,307	\$ 12,020,571
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 386,335	\$ 390,153	\$ 425,483	\$ 367,418	\$ 319,004	\$ 363,942
<u>(386,335)</u>	<u>(390,153)</u>	<u>(425,483)</u>	<u>(367,418)</u>	<u>(319,004)</u>	<u>(363,942)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,931,222	\$ 2,814,957	\$ 3,074,299	\$ 2,731,732	\$ 2,537,820	\$ 2,687,903
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$ 1,656,656	\$ 1,503,231	\$ 1,586,640	\$ 1,495,297	\$ 1,459,744	\$ 1,363,184
<u>(1,656,656)</u>	<u>(1,503,231)</u>	<u>(1,586,640)</u>	<u>(1,495,297)</u>	<u>(1,459,744)</u>	<u>(1,363,184)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 11,833,257	\$ 11,563,315	\$ 12,204,923	\$ 11,502,285	\$ 11,228,800	\$ 10,486,031
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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Dover City School District
Tuscarwaras County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability/(Asset)
Last Three Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>			
School District's Proportion of the Net OPEB Liability	0.08464280%	0.08221670%	0.08649030%
School District's Proportionate Share of the Net OPEB Liability	\$ 2,348,220	\$ 2,206,480	\$ 2,465,294
School District's Covered Payroll	\$ 2,734,185	\$ 2,684,371	\$ 2,673,671
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.88%	82.20%	92.21%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>			
School District's Proportion of the Net OPEB Liability/(Asset)	0.11392811%	0.11219644%	0.11295210%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,830,709)	\$ 4,377,491	\$ 6,040,708
School District's Covered Payroll	\$ 13,046,364	\$ 12,455,307	\$ 12,020,571
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.03%	35.15%	50.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Dover City School District
Tuscarwaras County, Ohio
Required Supplementary Information
Schedule of the School District Contributions - OPEB
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 54,050	\$ 57,751	\$ 45,187	\$ 42,607
Contributions in Relation to the Contractually Required Contribution	<u>(54,050)</u>	<u>(57,751)</u>	<u>(45,187)</u>	<u>(42,607)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,681,726	\$ 2,734,185	\$ 2,684,371	\$ 2,673,671
OPEB Contributions as a Percentage of Covered Payroll (1)	2.02%	2.11%	1.68%	1.59%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$13,076,914	\$ 13,046,364	\$ 12,455,307	\$ 12,020,571
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 65,226	\$ 42,503	\$ 36,901	\$ 15,025	\$ 36,291	\$ 20,428
<u>(65,226)</u>	<u>(42,503)</u>	<u>(36,901)</u>	<u>(15,025)</u>	<u>(36,291)</u>	<u>(20,428)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,931,222	\$ 2,814,957	\$ 3,074,299	\$ 2,731,732	\$ 2,537,820	\$ 2,687,903
2.23%	1.51%	1.20%	0.55%	1.43%	0.76%
\$ 0	\$ 115,633	\$ 122,049	\$ 115,023	\$ 112,288	\$ 104,860
<u>0</u>	<u>(115,633)</u>	<u>(122,049)</u>	<u>(115,023)</u>	<u>(112,288)</u>	<u>(104,860)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 11,833,257	\$ 11,563,315	\$ 12,204,923	\$ 11,502,285	\$ 11,228,800	\$ 10,486,031
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Dover City School District
Tuscarawas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Note 2 - Net OPEB Liability/(Asset)

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62

**Dover City School District
Tuscarawas County, Ohio**

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019*

percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare

Fiscal year 2018	7.50 percent initially, decreasing to 5.00 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent

Medicare

Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 8.00 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	N/A	\$67,863
Cash Assistance:			
School Breakfast Program	10.553	N/A	108,653
National School Lunch Program	10.555	N/A	381,840
Cash Assistance Subtotal			<u>490,493</u>
Total Child Nutrition Cluster			558,356
Total U.S. Department of Agriculture			558,356
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through New Philadelphia City School District</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	27,206
<i>Passed Through Strasburg-Franklin Local School District</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	1,102
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	S010A170035 S010A180035	84,950 260,821
Total Title I Grants to Local Educational Agencies			<u>345,771</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)			
Total Special Education - Grants to States (IDEA, Part B)	84.027	H027A170111 H027A180111	72,243 484,281
			<u>556,524</u>
Special Education - Preschool Grants (IDEA Preschool)			
Total Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A170119 H173A180119	2,506 14,234
			<u>16,740</u>
Total Special Education Cluster (IDEA)			573,264
Twenty-First Century Community Learning Centers	84.287	S287C180035	199,949
English Language Acquisition State Grants			
English Language Acquisition State Grants	84.365	S365A170035 S365A180035	9,849 38,347
			<u>48,196</u>
Supporting Effective Instruction State Grants			
Supporting Effective Instruction State Grants	84.367	S367A170034 S367A180034	16,598 54,322
			<u>70,920</u>
Total Supporting Effective Instruction State Grants			70,920
Student Support and Academic Enrichment (Title IV-A)			
Student Support and Academic Enrichment (Title IV-A)	84.424	N/A S424A180036	4,170 21,695
			<u>25,865</u>
Total Student Support and Academic Enrichment (Title IV-A)			25,865
Total U.S. Department of Education			<u>1,292,273</u>
Total Expenditures of Federal Awards			<u><u>\$1,850,629</u></u>

The accompanying notes are an integral part of this Schedule.

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Dover City School District (the School District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2020

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Dover City School District's, Tuscarawas County, Ohio (the School District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Dover City School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Dover City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2020

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list):	CFDA #84.027 & #84.173 Special Education Cluster (IDEA)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 9, 2020**