



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

January 20, 2005

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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The discussion and analysis of the Dover City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2004 are as follows:

- General Revenues accounted for \$18,661,419 in revenue or 89% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,328,579 or 11% of total revenues of \$20,989,998.
- Total program expenses were \$20,102,080.
- In total, net assets increased \$887,918.
- Outstanding bonded debt decreased from \$7,480,000 to \$7,131,063 during 2004.

***Using this Annual Report***

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

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

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

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



**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The School District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2004 compared to 2003:

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

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$ 14,381,044	\$ 12,578,933
Capital Assets	9,350,254	9,557,683
Total Assets	23,731,298	22,136,616
<b>Liabilities</b>		
Long-Term Liabilities	8,600,352	8,643,467
Other Liabilities	12,143,254	11,390,703
Total Liabilities	20,743,606	20,034,170
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	2,009,643	2,077,683
Restricted	911,572	661,290
Unrestricted (Deficit)	66,477	(636,527)
Total Net Assets	\$ 2,987,692	\$ 2,102,446

Total net assets increased by \$887,918. A decrease of approximately \$207,429 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased by \$709,436, and was primarily a result of increased deferred revenue and long term liabilities.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2004. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental Activities**

	Governmental Activities	
	2004	2003
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,025,420	\$ 662,565
Operating Grants	1,303,159	1,009,275
<i>General Revenue:</i>		
Property Taxes	11,119,546	10,354,584
Grants and Entitlements	6,790,951	7,012,608
Other	750,922	161,896
<i>Total Revenues</i>	20,989,998	19,200,928
<b>Program Expenses</b>		
Instruction	11,078,359	11,319,215
Support Services	6,594,158	7,044,477
Operation of Non-Instructional Services	1,143,073	947,446
Extracurricular Services	808,741	815,625
Interest and Fiscal Charges	477,749	472,020
<i>Total Expenses</i>	20,102,080	20,598,783
Increase (Decrease) in Net Assets	\$ 887,918	\$ (1,397,855)

**Governmental Activities**

Several revenue sources fund the District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$11.1 million in 2004. General revenues from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental funding over 85% of expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations.

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.

**Dover City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)

**(Table 3)**  
**Governmental Activities**

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 11,078,359	\$ 10,463,969	\$ 11,319,215	\$ 10,980,443
Support Services:				
Pupil and Instructional Staff	2,138,038	1,720,808	2,308,030	2,026,911
Board of Education, Administration Fiscal and Central	2,120,060	2,082,245	2,235,779	2,230,103
Operation and Maintenance of Plant	1,718,853	1,687,877	1,877,668	1,870,428
Pupil Transportation	617,207	609,050	623,000	623,000
Operation of Non-Instructional Services	1,143,073	170,154	947,446	152,044
Extracurricular Activities	808,741	561,649	815,625	571,994
Interest and Fiscal Charges	477,749	477,749	472,020	472,020
<b>Total</b>	<b>\$ 20,102,080</b>	<b>\$ 17,773,501</b>	<b>\$ 20,598,783</b>	<b>\$ 18,926,943</b>

Instruction and student support services comprise 66% of governmental program expenses. Interest, fiscal and administration charges were 13%. Interest expense was attributable to the outstanding bonds, fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided by the District. Pupil transportation and the operation/maintenance of facilities accounts for 11% of governmental program expenses.

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

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the District did significantly modify its general fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$16,848,360, over the original budget estimates of \$15,578,517. Of this \$1,269,843 increase, most was attributable to an increase in intergovernmental and tax revenue.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2004, the District had \$9,350,254 invested in land, buildings, vehicles and equipment. See note 9 for additional details. Table 4 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities	
	2004	2003
Land	\$ 379,605	\$ 379,605
Buildings and Building Improvements	8,176,560	8,422,476
Improvements Other Than Buildings	99,414	105,990
Furniture and Equipment	311,080	398,106
Vehicles	175,141	251,506
Construction in progress	208,454	0
Totals	\$ 9,350,254	\$ 9,557,683

The \$209,429 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks (see note 19). For fiscal year 2004, this amounted to \$355,770 for each set aside. The District has qualifying disbursements or offsets for capital acquisition equaling \$110,908. For the textbooks, the District disbursed \$221,982, with the remainder scheduled to be carried forward into the 2004 fiscal year.

**Debt**

At June 30, 2004, the District had \$7,131,063 in bonds outstanding with \$650,000 due within one year. See note 13 for additional details. During fiscal year 2004, \$7,125,000 of general obligation bonds were refunded. Table 5 summarizes bonds outstanding.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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

	Governmental Activities 2004	Governmental Activities 2003
Unlimited Tax General Obligation		
School Improvement Bonds	\$ 0	\$ 7,480,000
School Improvement Refunding Bonds	7,131,063	0
Total	\$ 7,131,063	\$ 7,480,000

***Current Issues***

The Dover City School District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November, 1996, with the promise that the revenue generated by a levy would provide sufficient funding for five years. In November 2004, the Board of Education submitted a new operating levy which was approved by the residents.

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 53% of revenues for governmental activities for the Dover City School District in fiscal year 2004.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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

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

The Dover City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the District. Another District concern is the State Legislative approval of the biennial budget, effective July 1, 2004, which had a negative impact on the district. How the legislature plans to fund education programs during a weakened economy remains a concern.

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

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

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brenda Hurst, Treasurer of Dover City School District, 219 West Sixth St., Dover, OH 44622 or [do\\_brenda@omeresanet.net](mailto:do_brenda@omeresanet.net).

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**Dover City School District**

*Statement of Net Assets*

*June 30, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,914,743
Receivables:	
Taxes	11,291,202
Accounts	25,401
Intergovernmental	136,007
Prepaid Items	0
Inventory Held For Resale	0
Inventory Held For Resale	13,691
Nondepreciable Capital Assets	588,059
Depreciable Capital Assets (Net)	<u>8,762,195</u>
 <i>Total Assets</i>	 <u>23,731,298</u>
 <b>Liabilities</b>	
Accounts Payable	170,366
Accrued Wages and Benefits	2,173,067
Intergovernmental Payable	539,855
Deferred Revenue	9,259,966
Long Term Liabilities:	
Due Within One Year	862,958
Due Within More Than One Year	<u>7,737,394</u>
 <i>Total Liabilities</i>	 <u>20,743,606</u>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,009,643
Restricted for:	
Capital Projects	66,191
Debt Service	815,075
Other Purposes	30,306
Unrestricted	<u>66,477</u>
 <i>Total Net Assets</i>	 <u>\$ 2,987,692</u>

See accompanying notes to the basic financial statements.



**Dover City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 8,711,400	\$ 111,981	\$ 105,454	\$ (8,493,965)
Special	1,905,438	19,883	371,762	(1,513,793)
Other	461,521	5,310	0	(456,211)
Support Services:				
Pupils	1,033,234	11,818	133,137	(888,279)
Instructional Staff	1,104,804	10,778	261,497	(832,529)
Board of Education	78,166	1,062	0	(77,104)
Administration	1,536,054	20,538	9,267	(1,506,249)
Fiscal	503,614	6,598	34	(496,982)
Operation and Maintenance of Plant	1,718,853	22,753	8,223	(1,687,877)
Pupil Transportation	617,207	8,157	0	(609,050)
Central	2,226	316	0	(1,910)
Operation of Non-Instructional Services	1,143,073	559,134	413,785	(170,154)
Extracurricular Activities	808,741	247,092	0	(561,649)
Debt Service:				
Interest and Fiscal Charges	477,749	0	0	(477,749)
<i>Total Governmental Activities</i>	<u>20,102,080</u>	<u>1,025,420</u>	<u>1,303,159</u>	<u>(17,773,501)</u>
 <b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				10,264,222
Debt Service				770,153
Capital Outlay				85,171
Grants and Entitlements not Restricted to Specific Programs				6,790,951
Investment Earnings				29,262
Other Operating Revenues				319,516
Premium on Debt Issuance				<u>402,144</u>
Total General Revenues				18,661,419
Change in Net Assets				887,918
Net Assets Beginning of Year - Restated (See note 3)				<u>2,099,774</u>
Net Assets End of Year				<u>\$ 2,987,692</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,830,315	\$ 679,289	\$ 405,139	\$ 2,914,743
Receivables:				
Taxes	10,481,386	727,602	82,214	11,291,202
Accounts	17,430	0	7,971	25,401
Interfund	99,977	0	0	99,977
Intergovernmental	0	0	136,007	136,007
Inventory Held For Resale	0	0	13,691	13,691
<i>Total Assets</i>	<u>\$ 12,429,108</u>	<u>\$ 1,406,891</u>	<u>\$ 645,022</u>	<u>\$ 14,481,021</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 130,666	\$ 0	\$ 39,700	\$ 170,366
Accrued Wages and Benefits	1,983,409	0	189,658	2,173,067
Interfund Payable	0	0	99,977	99,977
Intergovernmental Payable	311,099	0	13,585	324,684
Deferred Revenue	8,798,150	610,754	69,011	9,477,915
<i>Total Liabilities</i>	11,223,324	610,754	411,931	12,246,009
<b>Fund Balances</b>				
Fund Balance:				
Reserved for Encumbrances	184,001	0	58,719	242,720
Reserved for Inventory	0	0	13,691	13,691
Reserved for Tax Revenue Unavailable for Appropriation	1,683,236	116,848	13,203	1,813,287
Reserved for Capital Acquisition	270,885	0	0	270,885
Unreserved:				
Undesignated, Unreserved Reported in:				
General Fund	(932,338)	0	0	(932,338)
Special Revenue Funds	0	0	104,355	104,355
Debt Service Fund	0	679,289	0	679,289
Capital Projects Funds	0	0	43,123	43,123
<i>Total Fund Balances</i>	<u>1,205,784</u>	<u>796,137</u>	<u>233,091</u>	<u>2,235,012</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,429,108</u>	<u>\$ 1,406,891</u>	<u>\$ 645,022</u>	<u>\$ 14,481,021</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2004*

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Total Governmental Fund Balances		\$ 2,235,012
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		9,350,254
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds. Delinquent Property Taxes		217,949
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(7,131,063)	
Compensated Absences	(1,259,741)	
Capital Lease Payable	(209,548)	
Intergovernmental Payable	(215,171)	
Total		(8,815,523)
Net Assets of Governmental Activities		\$ 2,987,692

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 10,266,430	\$ 767,860	\$ 84,850	\$ 11,119,140
Intergovernmental	6,667,629	86,427	1,340,054	8,094,110
Investment Income	23,556	5,706	0	29,262
Tuition and Fees	75,175	0	107,502	182,677
Extracurricular Activities	0	0	240,336	240,336
Charges for Services	150,775	0	451,632	602,407
Miscellaneous	155,900	0	163,616	319,516
<i>Total Revenues</i>	17,339,465	859,993	2,387,990	20,587,448
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,231,964	0	127,705	8,359,669
Special	1,491,016	0	405,243	1,896,259
Other	373,989	0	87,532	461,521
Support Services:				
Pupils	864,552	0	156,482	1,021,034
Instructional Staff	765,327	0	283,077	1,048,404
Board of Education	77,336	0	0	77,336
Administration	1,495,770	0	8,407	1,504,177
Fiscal	471,362	14,412	1,623	487,397
Operation and Maintenance of Plant	1,576,687	0	50,566	1,627,253
Pupil Transportation	603,516	0	0	603,516
Operation of Non-instructional Services	0	0	938,179	938,179
Extracurricular Activities	498,148	0	301,186	799,334
Capital Outlay	0	0	208,454	208,454
Debt Service:				
Principal Retirement	2,014	7,480,000	0	7,482,014
Interest and Fiscal Charges	242	470,250	0	470,492
<i>Total Expenditures</i>	16,451,923	7,964,662	2,568,454	26,985,039
<i>Excess of Revenues Over (Under) Expenditures</i>	887,542	(7,104,669)	(180,464)	(6,397,591)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Inception of Capital Lease	0	0	208,454	208,454
Premium on Debt Issuance	0	402,144	0	402,144
Proceeds of Notes	0	7,123,806	0	7,123,806
Other Financing Uses	0	(162,088)	0	(162,088)
<i>Total Financing Sources and (Uses)</i>	0	7,363,862	208,454	7,572,316
<i>Net Change in Fund Balance</i>	887,542	259,193	27,990	1,174,725
<i>Fund Balance at Beginning of Year</i>	318,242	536,944	202,427	1,057,613
<i>Increase in Reserve for Inventory</i>	0	0	2,674	2,674
<i>Fund Balance at End of Year</i>	\$ 1,205,784	\$ 796,137	\$ 233,091	\$ 2,235,012

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$	1,174,725
 <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. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	260,508	
Current Year Depreciation	<u>(442,189)</u>	(181,681)
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.		
		(25,748)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Delinquent Property Taxes		405
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	7,480,000	
Capital Leases	<u>2,014</u>	7,482,014
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities		
Proceeds of Bonds	(7,123,806)	
Inception of Capital Lease	<u>(208,454)</u>	(7,332,260)
Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(99,382)	
Pension Obligation	(61,665)	
Interest Expense for Accretion on Capital Appreciation Bonds	(7,257)	
Change in Inventory	<u>2,674</u>	(165,630)
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. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(63,907)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>887,918</u></u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget Over (Under)
<b>Revenues:</b>				
Taxes	\$ 8,915,957	\$ 9,790,957	\$ 9,796,537	\$ 5,580
Intergovernmental	6,374,560	6,649,403	6,667,629	18,226
Investment Income	50,000	50,000	23,556	(26,444)
Tuition and Fees	75,000	75,000	66,540	(8,460)
Charges for Services	93,000	133,000	150,775	17,775
Contributions and Donations	0	0	650	650
Miscellaneous	70,000	150,000	159,775	9,775
<i>Total Revenues</i>	<u>15,578,517</u>	<u>16,848,360</u>	<u>16,865,462</u>	<u>17,102</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	10,273,618	10,298,731	10,266,406	32,325
Support Services				
Pupils	878,741	882,141	879,164	2,977
Instructional Staff	819,806	827,806	813,217	14,589
Board of Education	132,152	171,152	145,745	25,407
Administration	1,605,227	1,516,027	1,495,360	20,667
Fiscal	497,453	488,753	482,800	5,953
Operation and Maintenance of Plant	1,610,293	1,752,411	1,730,745	21,666
Pupil Transportation	656,681	626,940	618,816	8,124
Extracurricular Activities	513,658	501,958	500,122	1,836
<i>Total Expenditures</i>	<u>16,987,629</u>	<u>17,065,919</u>	<u>16,932,375</u>	<u>133,544</u>
Excess of Revenues Over (Under) Expenditures	(1,409,112)	(217,559)	(66,913)	150,646
<b>Other Financing Sources (Uses):</b>				
Proceeds from Inception of Capital Lease	0	0	52,060	52,060
Refund of Prior Year Expenditures	2,000	2,000	9,185	7,185
Advances In	0	108,000	108,656	656
Advances Out	(108,000)	(100,000)	(99,977)	23
Transfers Out	(10,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(116,000)</u>	<u>10,000</u>	<u>69,924</u>	<u>59,924</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,525,112)	(207,559)	3,011	210,570
<i>Fund Balance at Beginning of Year</i>	<u>1,401,897</u>	<u>1,401,897</u>	<u>1,401,897</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>200,365</u>	<u>200,365</u>	<u>200,365</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ 77,150</u>	<u>\$ 1,394,703</u>	<u>\$ 1,605,273</u>	<u>\$ 210,570</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Governmental Activities - Internal Service Fund
<b>Operating Expenses:</b>	
Claims	\$ 64,271
<i>Total Operating Expenses</i>	64,271
Operating Loss	(64,271)
<b>Non-Operating Revenues:</b>	
Interest	364
<i>Total Non-Operating Revenues</i>	364
<i>Change in Net Assets</i>	(63,907)
<i>Net Assets Beginning of Year - Restated (See note 3)</i>	63,907
<i>Net Assets End of Year</i>	\$ 0

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>	
Cash Paid for Claims	\$ (64,271)
<i>Net Cash (Used For) Operating Activities</i>	(64,271)
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	364
<i>Net Cash Provided By Investing Activities</i>	364
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(63,907)
<i>Cash and Cash Equivalents at Beginning of Year</i>	63,907
<i>Cash and Cash Equivalents at End of Year</i>	\$ 0
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Loss	\$ (64,271)
<i>Net Cash (Used For) Operating Activities</i>	\$ (64,271)

See accompanying notes to the basic financial statements.



**Dover City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 361,342	\$ 77,591
Investments In Segregated Accounts	13,191	0
Accounts Receivable	1,000	175
<i>Total Assets</i>	\$ 375,533	\$ 77,766
 <b>Liabilities</b>		
Accounts Payable	\$ 0	\$ 11,498
Due to Students	0	66,268
<i>Total Liabilities</i>	0	\$ 77,766
 <b>Net Assets</b>		
Held in Trust for Scholarships	375,533	
<i>Total Net Assets</i>	\$ 375,533	

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Gifts and Contributions	\$ 188,978
Interest	3,385
Miscellaneous	1,000
<i>Total Additions</i>	193,363
<b>Deductions</b>	
Scholarships	8,579
<i>Total Deductions</i>	8,579
<i>Change in Net Assets</i>	184,784
<i>Net Assets Beginning of Year</i>	190,749
<i>Net Assets End of Year</i>	\$ 375,533

See accompanying notes to the basic financial statements.

## DOVER CITY SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Dover City School District (District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of October 1, 2003, was 2,595. The District employs 195 certificated and 93 non-certificated employees.

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

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

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

The District is involved with Ohio Mid-Eastern Regional Education (OME-RESA), Buckeye Career Center, and Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 16. The Dover Public Library is a related organization of the District, which is presented in Note 17 to the general purpose financial statements.

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

## DOVER CITY SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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

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

##### A. Basis of Presentation

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

##### Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

##### Fund Financial Statements

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

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Fund Accounting**

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

**Governmental Funds**

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

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

***Debt Service Fund*** – The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds and bond anticipation notes used for the construction and renovation of buildings within the District.

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

**Proprietary Fund Types**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the District has no enterprise funds.

***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 District on a cost reimbursement basis. The District's internal service funds account for funds for the Washington D.C. trip and for the operation of the District's self-insurance program for employee medical benefits.

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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

**Fiduciary Funds**

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

**C. Measurement Focus**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its internal service fund activity.

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

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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

**D. Basis of Accounting**

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

**Revenues – Exchange and Non-Exchange Transactions**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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

**Expenses/Expenditures**

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

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

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administrative purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are either charged when purchased or credited at the time of redemption to their respective fund balances. Investment income is recorded in the General Fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates market value at year end.

During fiscal year 2004, investments were limited to STAROhio, Certificates of Deposit, a repurchase agreement, and an annuity. 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 2004 amounted to \$32,478, which includes \$14,093 assigned from other District funds.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.



DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Inventory**

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

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and capital acquisition. See Note 19 for additional information regarding set-asides.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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

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

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Land	N/A
Buildings and Improvements	10-40 Years
Furniture and Equipment	5-20 Years
Vehicles	13 Years

**J. Interfund Balances**

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

**K. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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

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

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

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

**M. Net Assets**

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

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

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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

**O. 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 2004.

**P. 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.

**Q. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the function level within the General Fund. For all other funds, the legal level of control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

**Tax Budget**

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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

**Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended 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 issued during fiscal year 2004.

**Appropriations**

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**Lapsing of Appropriations**

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

**NOTE 3: PRIOR PERIOD ADJUSTMENT**

In the prior year, the Washington D.C. Trip and the OCEN 'A' Sites Funds were reported as internal service funds. It has been determined that these funds should be reported as agency funds.

To report these reclassifications, the beginning balance of the governmental funds has been restated as follows:

	Previously Stated Balance at 6/30/03	Adjustments	Restated Balance at 7/1/03
Governmental Activities	\$ 2,102,446	\$ (2,672)	\$ 2,099,774
Internal Service	66,579	(2,672)	63,907

**NOTE 4: FUND DEFICITS**

GAAP basis fund balances at June 30, 2004 included the following individual fund deficits:

	Deficit
Special Revenue Funds:	
Food Service	\$ 46,594
Ohio Reads Grant	3,364
Title VI-B	7,323
Title VI	93
Total	\$ 57,374

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

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(Continued)

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**NOTE 5: BUDGETARY BASIS OF ACCOUNTING**

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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	\$ 887,542
Net adjustment for revenue accruals	(412,758)
Advances in	108,656
Advances out	(99,977)
Net adjustment for expenditure accruals	(255,408)
Adjustment for encumbrances	<u>(225,044)</u>
Budget Basis	<u>\$ 3,011</u>

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 6: DEPOSITS AND INVESTMENTS**

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

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

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

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

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



**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAR Ohio).
- 7) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25% 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 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

At fiscal year-end, the carrying amount of the District's deposits was \$3,299,937, which includes \$250 cash on hand, and the bank balance was \$3,318,342. Of the bank balance:

1. \$206,892 was covered by federal depository insurance.

\$3,111,450 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments**

GASB Statement No. 3 entitled "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District to categorize investments to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Annuity	\$ 13,191	\$ 13,191
STAROhio	0	53,739
Total	\$ 13,191	\$ 66,930

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,353,676	\$ 13,191
Investments which are part of a Cash Management Pool:		
STAROhio	(53,739)	53,739
GASB Statement No. 3	\$ 3,299,937	\$ 66,930

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 7: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Property tax revenue received during calendar year 2004 for real and public utility property taxes represent collections of calendar year 2003 taxes. Property tax payments received during calendar year 2004 for tangible personal property (other than public utility property) is for calendar year 2004 taxes.

2004 real property taxes are levied after April 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004, and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003 on the values as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second-Half		2004 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 210,349,140	59%	\$ 213,912,490	59%
Commercial/Industrial	72,500,960	20%	73,564,900	20%
Tangible Personal Property	71,720,015	19%	67,959,980	19%
Personal Public Utility	6,097,120	2%	6,024,400	2%
 Total Assessed Value	 \$ 360,667,235	 100%	 \$ 361,461,770	 100%
 Tax rate per \$1000 of assessed value	 \$ 45.47		 \$ 52.17	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 7: PROPERTY TAXES (Continued)**

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Dover City School District. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 2004 was \$1,813,287.

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (customer services and student fees), accrued interest 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 year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follow:

**Governmental Activities:**

CAFS Reimbursement	\$	36,894
Title VI-B		27,431
Title I		37,735
Title V - Innovative		4,030
Other		<u>29,917</u>
Total	\$	<u><u>136,007</u></u>

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 9: CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/2003	Additions	Reductions	Balance 6/30/2004
<b>Governmental Activities:</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 379,605	\$ 0	\$ 0	\$ 379,605
Construction in progress	0	208,454	0	208,454
Total capital assets, not being depreciated	379,605	208,454	0	588,059
 <i>Capital Assets, being depreciated:</i>				
Building and Building Improvements	14,283,083	0	0	14,283,083
Improvements Other Than Building	122,609	0	0	122,609
Furniture and Equipment	1,035,576	0	(25,748)	1,009,828
Vehicles	921,709	52,054	0	973,763
Total capital assets, being depreciated	16,362,977	52,054	(25,748)	16,389,283
 Less accumulated depreciation:				
Building and Building Improvements	5,860,607	245,916	0	6,106,523
Improvements Other Than Building	16,619	6,576	0	23,195
Furniture and Equipment	637,470	61,278	0	698,748
Vehicles	670,203	128,419	0	798,622
Total accumulated depreciation	7,184,899	442,189	0	7,627,088
Total capital assets being depreciated, net	9,178,078	(390,135)	(25,748)	8,762,195
 Governmental activities capital assets, net	\$ 9,557,683	\$ (181,681)	\$ (25,748)	\$ 9,350,254

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 9: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	361,845
Special		23,133
Support Services:		
Pupils		5,610
Instructional Staff		1,217
Board of Education		830
Administration		6,849
Fiscal		674
Operation and Maintenance of Plant		14,428
Pupil Transportation		4,252
Operation of Non-Instructional Services		12,156
Extracurricular Activities		11,195
		<hr/>
Total Depreciation Expense	\$	<u>442,189</u>

**NOTE 10: RISK MANAGEMENT**

**A. General Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$57,645,295. The District's vehicle insurance policy limit is \$1,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$3,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 10: RISK MANAGEMENT (Continued)**

**C. Workers' Compensation**

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

**D. Employee Health Insurance**

The District provided employee medical/surgical benefits through a self-insured plan and maintained a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program through September 30, 2002.

Effective October 1, 2002 the District formed the East Ohio Schools Employees Insurance Consortium as a charter member with two other local school districts. For certified and classified employees the Consortium provides medical/surgical coverage. For certified employees, the plan provides medical/surgical coverage which is 90% in-network and 80% out-of-network paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90% in-network and 80% out-of-network employee co-payment to a \$200 per person and \$400 per family in-network and \$800 per person and \$1,600 per family out-of-network out-of-pocket maximum. For classified employees, the plan provides medical/surgical coverage which is 100% paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible and a \$100 per person and \$400 per family out-of-pocket maximum.

Total required monthly premiums are as follows:

	<u>Family</u>	<u>Individual</u>
<b><u>Certified</u></b>		
Medical/Surgical	\$ 716.08	\$ 286.16
Dental	58.31	23.32
<b><u>Classified</u></b>		
Medical/Surgical	\$ 798.30	\$ 319.31
Dental	58.31	23.32

The District had no claims liability reported in the internal service fund at June 30, 2004. The following table shows the changes in claims activity for the current fiscal year to eliminate the internal service fund.

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2004	\$ 0	\$ 64,271	\$ (64,271)	\$ 0
2003	\$ 176,283	\$ 996,442	\$(1,172,725)	\$ 0

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 11: DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2002, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2002. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$1,268,364, \$1,339,884 and \$1,265,484, respectively; 84% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$207,164, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.



**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$328,092, \$341,676 and \$328,092, respectively; 52% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$158,880, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 12: POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled 4.5% for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the fund was \$3.1 billion. For the year ended June 30, 2004 net health care costs paid by STRS were \$268,739,000 and STRS had 118,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 years or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% for fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$218,993.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 (the latest information possible), SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 13: GENERAL LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the fiscal year 2004 were as follows:

	Outstanding July 1, 2003	Additions	Reductions	Outstanding June 30, 2004	Due in One Year
School Improvement Bonds, 5.91% interest rate maturing 12/2001 to 12/2016	\$ 7,480,000	\$ 0	\$ (7,480,000)	\$ 0	\$ 0
School Improvement Refunding Bonds, 2.0 - 4.1% interest rate maturing 12/2004 to 12/2016	0	6,625,000	0	6,625,000	650,000
School Improvement Refunding Capital Appreciation Bonds 10.65% (average effective) maturing 12/2013 to 12/2014	0	498,806	0	498,806	0
School Improvement Refunding Capital Appreciation Bonds Accreted Interest	0	7,257	0	7,257	0
Compensated Absences	1,160,359	99,382	0	1,259,741	95,057
Capital Lease Payable	3,108	208,454	(2,014)	209,548	117,901
	<u>\$ 8,643,467</u>	<u>\$ 7,438,899</u>	<u>\$ (7,482,014)</u>	<u>\$ 8,600,352</u>	<u>\$ 862,958</u>

On May 11, 2004 the District issued \$6,625,000 in School Improvement Refunding Bonds with an average interest rate of 3% along with \$498,806 in Capital Appreciation Bonds to refund \$7,125,000 of outstanding School Improvement Bonds with interest rates of 5.7% to 6.25%. The net proceeds of \$7,123,806 (after payment of \$162,088 in underwriting fees, insurance, and other issuance costs) were used to retire the original bonds. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The District refunded the 1992 Series bonds to reduce its total debt service payments over the next 13 years by \$1,204,382.

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

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Capital lease payable was paid from the general fund.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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

**Capital Appreciation Bonds**

The capital appreciation bonds mature December 1, 2007 and 2008. These bonds were purchased at a discount at the time of issuance and at maturity all compound interest is paid and the bond holder collects the face value.

Since the interest associated with these bonds is earned and compounded semiannually, the value of the bond increases in proportion to the interest. Therefore, as the value increases, the accretion is recorded as principal. The accretion amount for fiscal year 2004 is \$7,257 and the total accretion amount is \$7,257.

The District's overall legal debt margin was \$25,400,496 at June 30, 2004.

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

		School Improvement Refunding Bonds			Capital Appreciation Bonds		
		Principal	Interest	Total	Principal	Interest	Total
Year ending June 30,	2005	\$ 650,000	\$ 216,038	\$ 866,038	\$ 0	\$ 0	\$ 0
	2006	530,000	187,120	717,120	0	0	0
	2007	540,000	175,745	715,745	0	0	0
	2008	550,000	162,795	712,795	0	0	0
	2009	565,000	147,445	712,445	0	0	0
	2010-2014	1,790,000	495,163	2,285,163	498,806	776,194	1,275,000
	2015-2017	2,000,000	123,938	2,123,938	0	0	0
	<b>Total</b>	<u>\$ 6,625,000</u>	<u>\$ 1,508,244</u>	<u>\$ 8,133,244</u>	<u>\$ 498,806</u>	<u>\$ 776,194</u>	<u>\$ 1,275,000</u>

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 14: CAPITALIZED LEASES – LESSEE DISCLOSURE**

The District entered into lease agreements for a copy machine and boilers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the general purpose financial statements for the government funds.

The copy machine acquired by the lease has been capitalized in the governmental capital assets in the amount of \$8,650, which is equal to the present value of the future minimum lease payments at the time of acquisition. During the year, the District entered into a lease agreement for the acquisition and installation of boilers. The total amount authorized for the lease was \$625,000, as of June 30, 2003 the District had received proceeds in the amount of \$208,454. The boilers acquired by the lease have been capitalized in the governmental capital assets as construction in progress in the amount of \$208,454, which is equal to the lease proceeds received by the District. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease.

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, 2004:

		Copy Machine	Boilers	Total
Year ending June 30,	2005	\$ 1,128	\$ 137,995	\$ 139,123
	2006	0	137,995	137,995
	2007	0	137,995	137,995
	2008	0	137,995	137,995
	2009	0	137,995	137,995
		\$ 1,128	\$ 689,975	\$ 691,103
Less amount representing interest		34	64,975	65,009
Present value of minimum lease payments		\$ 1,094	\$ 625,000	\$ 626,094

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 15: INTERFUND BALANCES**

As of June 30, 2004, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 99,977	\$ 0
Other Governmental:		
Food Service	0	21,703
Title VI-B	0	27,431
Chapter 1	0	37,735
Chapter 2	0	4,030
Drug Free Grant	0	371
Miscellaneous grants	0	8,707
	<hr/>	<hr/>
Totals	<u>\$ 99,977</u>	<u>\$ 99,977</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS**

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Educational Service Center, which serves as fiscal agent, located in Steubenville, Ohio. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$60,482 for services provided during fiscal year 2004.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Buckeye Career Center**

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

**C. Tuscarawas County Tax Incentive Review Council**

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

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

**NOTE 17: RELATED ORGANIZATION**

**The Dover Public Library**

The Dover Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of Dover Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2004.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

**NOTE 18: CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

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

**NOTE 19: STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition	Totals
Set-aside cash balance as of June 30, 2003	\$ (679,617)	\$ 26,023	\$ (653,594)
Current year set-aside requirement	355,770	355,770	711,540
Current year offsets	0	(82,737)	(82,737)
Current year qualifying disbursements	(221,982)	(28,171)	(250,153)
Total	\$ (545,829)	\$ 270,885	\$ (274,944)
Set-aside balance carried forward to FY 2004	\$ 0	\$ 270,885	
Cash balance carried forward to FY 2005	\$ (545,829)	\$ 0	



**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**(Continued)**

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**NOTE 19: STATUTORY RESERVES (Continued)**

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

The District did not have offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, and is required to establish a fund balance reserve.

**NOTE 20: STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “. . . Ohio General Assembly to enact a school funding scheme that is thorough and efficient . . .” The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	C1-S1-2003	84.010	\$23,162		\$57,886	
	C1-S1-2004		293,509		266,553	
Total Title I Grants to Local Educational Agencies			316,671		324,439	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	6B-SF-2003-P	84.027	42,982		62,043	
	6B-SF-2004		345,795		317,170	
Total Special Education - Grants to States (IDEA Part B)			388,777		379,213	
Special Education - Preschool Grants	PG-S1-2003	84.173			9,271	
	PG-S1-2004		9,855		9,855	
Total Special Education - Preschool Grants			9,855		19,126	
<b>Total Special Education Cluster</b>			398,632		398,339	
Safe and Drug Free Schools and Communities State Grants	DR-S1-2003	84.186			338	
	DR-S1-2004		9,149		9,067	
Total Safe and Drug Free Schools and Communities State Grants			9,149		9,405	
Innovative Education Program Strategies	C2-S1-2003	84.298	2,505		5,397	
	C2-S1-2004		11,473		12,972	
Total Innovative Education Program Strategies			13,978		18,369	
Technology Literacy Challenge Fund Grants	TJ-S1-2003	84.318			10	
	TJ-S1-2004		8,918		8,918	
Total Technology Literacy Challenge Fund Grants			8,918		8,928	
School Renovation Grants	AT-S2-2002	84.352A	(3,124)			
	AT-S3-2002		(78)			
Total School Renovation Grants			(3,202)			
Improving Teacher Quality State Grants	TR-S1-2003	84.367			27,472	
	TR-S1-2004		86,246		79,067	
Total Improving Teacher Quality State Grants			86,246		106,539	
Total U.S. Department of Education			830,392		866,019	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>(Passed Through Ohio Department of Education)</i>						
Temporary Assistance to Needy Families	N/A	93.558	8,478		8,478	
Total U.S. Department of Health and Human Services			8,478		8,478	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550		\$73,859		\$73,859
National School Lunch Program	N/A	10.555	157,722		157,722	
Special Milk Program for Children	N/A	10.556	579		579	
Total U.S. Department of Agriculture - Child Nutrition Cluster			158,301	73,859	158,301	73,859
Total			\$997,171	\$73,859	\$1,032,798	\$73,859

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

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 20, 2005.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 20, 2005.

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This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 20, 2005



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Dover City School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 20, 2005



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

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

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

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

None.

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

None.





**Auditor of State  
Betty Montgomery**

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**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  
MARCH 3, 2005**