



Dave Yost • Auditor of State

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 3 to the basic financial statements, the District's medical, prescription and dental insurance activity was reflected in an internal service fund. Net assets at July 1, 2011 have been restated accordingly.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 2, 2013

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The discussion and analysis of the Dover City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets increased \$1,730,470, which represents a 14 percent increase from 2011.
- Capital assets decreased \$127,525 during fiscal year 2012.
- During the year, outstanding debt decreased from \$3,661,797 to \$3,161,215 due to principal payments made by the School District

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" 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.

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

Reporting the School District's Fiduciary Responsibilities

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

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	Restated 2011
Assets		
Current and Other Assets	\$ 24,603,903	\$ 22,903,749
Capital Assets	8,749,173	8,876,698
<i>Total Assets</i>	<i>33,353,076</i>	<i>31,780,447</i>
Liabilities		
Other Liabilities	13,964,143	13,821,120
Long-Term Liabilities	5,201,223	5,502,087
<i>Total Liabilities</i>	<i>19,165,366</i>	<i>19,323,207</i>
Net Assets		
Invested in Capital Assets, Net of Debt	6,091,504	5,695,093
Restricted	1,386,176	1,813,353
Unrestricted	6,710,030	4,948,794
<i>Total Net Assets</i>	<i>\$ 14,187,710</i>	<i>\$ 12,457,240</i>

The current and other assets increased \$1,700,154 primarily due to increases in cash balances due to revenues outpacing expenditures during the year.

At year end, capital assets represented 26 percent of total assets. Capital assets include land, buildings and building improvements, improvements other than buildings, furniture and fixtures and vehicles. Capital assets, net of related debt were \$6,091,504 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,386,176 or 10 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$6,710,030 may be used to meet the government's ongoing obligations to students and creditors.

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	Restated 2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,148,747	\$ 1,028,251
Operating Grants	1,649,753	2,369,268
<i>Total Program Revenues</i>	<u>2,798,500</u>	<u>3,397,519</u>
<i>General Revenues:</i>		
Property Taxes	11,877,686	11,311,311
Grants and Entitlements Not Restricted	9,493,676	10,182,262
Other	118,101	95,557
<i>Total General Revenues</i>	<u>21,489,463</u>	<u>21,589,130</u>
<i>Total Revenues</i>	<u>24,287,963</u>	<u>24,986,649</u>
Program Expenses		
Instruction:		
Regular	10,581,553	11,081,508
Special	1,808,783	1,971,922
Vocational	25,924	25,266
Student Intervention Services	120,268	102,302
Other	209,973	189,211
Support Services:		
Pupils	1,270,031	1,354,337
Instructional Staff	1,201,748	1,223,520
Board of Education	52,392	62,188
Administration	1,833,604	1,789,637
Fiscal	690,132	669,349
Operation and Maintenance of Plant	1,747,340	1,938,062
Pupil Transportation	768,987	767,307
Operation of Non-Instructional Services:		
Food Service Operations	848,475	808,417
Community Services	157,651	185,786
Extracurricular Activities	1,032,326	901,985
Debt Service:		
Interest and Fiscal Charges	208,306	217,099
<i>Total Expenses</i>	<u>22,557,493</u>	<u>23,287,896</u>
<i>Increase (Decrease) in Net Assets</i>	1,730,470	1,698,753
<i>Net Assets at Beginning of Year</i>	<u>12,457,240</u>	<u>10,758,487</u>
<i>Net Assets at End of Year</i>	<u>\$ 14,187,710</u>	<u>\$ 12,457,240</u>

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The decrease in operating grants is due to the expiration of the American Recovery and Reinvestment Act grants and stimulus grants. The \$566,375 increase in property tax revenue is due to the amount recorded in fiscal year 2011 being low compared to prior years due to the County auditor writing off delinquent personal property taxes.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2012	Restated 2011	2012	Restated 2011
Instruction:				
Regular	\$ 10,581,553	\$ 11,081,508	\$ (10,054,862)	\$ (10,081,863)
Special	1,808,783	1,971,922	(1,747,329)	(1,676,273)
Vocational	25,924	25,266	(25,924)	(23,266)
Student Intervention Services	120,268	102,302	(102,378)	(48,444)
Other	209,973	189,211	(68,968)	(189,211)
Support Services:				
Pupils	1,270,031	1,354,337	(1,104,970)	(1,144,566)
Instructional Staff	1,201,748	1,223,520	(813,326)	(849,542)
Board of Education	52,392	62,188	(52,392)	(62,188)
Administration	1,833,604	1,789,637	(1,833,604)	(1,744,675)
Fiscal	690,132	669,349	(690,132)	(669,349)
Operation and Maintenance of Plant	1,747,340	1,938,062	(1,738,340)	(1,926,687)
Pupil Transportation	768,987	767,307	(728,018)	(755,740)
Operation of Non-Instructional Services:				
Food Service Operations	848,475	808,417	61,407	49,646
Community Services	157,651	185,786	(2,110)	(10,687)
Extracurricular Activities	1,032,326	901,985	(649,741)	(540,433)
Debt Service:				
Interest and Fiscal Charges	208,306	217,099	(208,306)	(217,099)
<i>Total Expenses</i>	\$ 22,557,493	\$ 23,287,896	\$ (19,758,993)	\$ (19,890,377)

The dependence upon general revenues for governmental activities is apparent. Over 95 percent of governmental activities are supported through taxes and other general revenues; such revenues are 88 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Governmental Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, including other financing sources, of \$24,830,909 and expenditures of \$24,091,556 for fiscal year. The net change in fund balances for the fiscal year was an increase of \$739,353 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$674,963. While there were no significant changes in revenues or expenditures during the year, revenues continued to outpace expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue of \$20,572,759, excluding other financing sources, was higher than the final budget basis revenue by \$229,085. Most of this difference is due to an underestimation of property tax and intergovernmental revenue.

Final appropriations of \$20,621,277, excluding other financing uses, were \$250,908 higher than the actual expenditures of \$20,370,369, as cost savings were recognized for instruction and student support services throughout the year.

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$8,749,173 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 517,106	\$ 517,106
Buildings and Building Improvements	7,162,594	7,418,247
Improvements Other Than Buildings	115,025	125,393
Furniture and Fixtures	548,852	426,219
Vehicles	405,596	389,733
<i>Totals</i>	<u>\$ 8,749,173</u>	<u>\$ 8,876,698</u>

The \$127,525 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2012, the School District had \$3,161,215 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
2004 School Improvement Refunding Bonds	\$ 2,000,000	\$ 2,615,000
Capital Appreciation Bonds	498,806	498,806
Accretion on Capital Appreciation Bonds	662,409	547,991
<i>Total</i>	<u>\$ 3,161,215</u>	<u>\$ 3,661,797</u>

Current Issues

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

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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 49 percent of revenues for governmental activities for the Dover City School District in fiscal year 2012.

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, 2011, 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 School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brenda Hurst, Treasurer of Dover City School District, 219 West Sixth Street, Dover, OH 44622 or HurstB@Dover.k12.oh.us.

Dover City School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 10,680,639
Cash and Cash Equivalents with Fiscal Agent	1,497,482
Receivables:	
Accounts	7,174
Intergovernmental	176,521
Property Taxes	12,242,087
Nondepreciable Capital Assets	517,106
Depreciable Capital Assets (Net)	<u>8,232,067</u>
<i>Total Assets</i>	<u>33,353,076</u>
Liabilities	
Accounts Payable	180,254
Accrued Wages and Benefits	2,664,871
Intergovernmental Payable	554,336
Accrued Vacation Leave Payable	20,506
Matured Compensated Absences Payable	98,635
Accrued Interest Payable	6,725
Claims Payable	318,536
Deferred Revenue	10,120,280
Long Term Liabilities:	
Due Within One Year	694,869
Due In More Than One Year	<u>4,506,354</u>
<i>Total Liabilities</i>	<u>19,165,366</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,091,504
Restricted For:	
Capital Outlay	390,152
Debt Service	721,501
Other Purposes	274,523
Unrestricted	<u>6,710,030</u>
<i>Total Net Assets</i>	<u>\$ 14,187,710</u>

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instructional:				
Regular	\$ 10,581,553	\$ 128,116	\$ 398,575	\$ (10,054,862)
Special	1,808,783	0	61,454	(1,747,329)
Vocational	25,924	0	0	(25,924)
Student Intervention Services	120,268	0	17,890	(102,378)
Other	209,973	141,005	0	(68,968)
Support Services:				
Pupils	1,270,031	0	165,061	(1,104,970)
Instructional Staff	1,201,748	0	388,422	(813,326)
Board of Education	52,392	0	0	(52,392)
Administration	1,833,604	0	0	(1,833,604)
Fiscal	690,132	0	0	(690,132)
Operation and Maintenance of Plant	1,747,340	0	9,000	(1,738,340)
Pupil Transportation	768,987	40,969	0	(728,018)
Operation of Non-Instructional Services:				
Food Service Operations	848,475	463,549	446,333	61,407
Community Services	157,651	0	155,541	(2,110)
Extracurricular Activities	1,032,326	375,108	7,477	(649,741)
Debt Service:				
Interest and Fiscal Charges	208,306	0	0	(208,306)
Total	<u>\$ 22,557,493</u>	<u>\$ 1,148,747</u>	<u>\$ 1,649,753</u>	<u>(19,758,993)</u>

General Revenues

Property Taxes Levied for:

General Purposes	11,194,715
Debt Service	564,194
Capital Outlay	118,777
Grants and Entitlements Not Restricted to Specific Programs	9,493,676
Investment Earnings	19,175
Miscellaneous	98,926

Total General Revenues

21,489,463

Change in Net Assets

1,730,470

Net Assets Beginning of Year - Restated (See Note 3)

12,457,240

Net Assets End of Year

\$ 14,187,710

See accompanying notes to the basic financial statements.

Dover City School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 9,019,379	\$ 1,661,260	\$ 10,680,639
Receivables:			
Accounts	7,174	0	7,174
Interfund	176,520	0	176,520
Intergovernmental	0	176,521	176,521
Property Taxes	11,560,721	681,366	12,242,087
Due from Other Funds	22,946	0	22,946
<i>Total Assets</i>	<u>\$ 20,786,740</u>	<u>\$ 2,519,147</u>	<u>\$ 23,305,887</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 130,676	\$ 49,578	\$ 180,254
Accrued Wages and Benefits	2,424,894	239,977	2,664,871
Intergovernmental Payable	510,720	43,616	554,336
Matured Compensated Absences Payable	98,635	0	98,635
Interfund Payable	0	176,520	176,520
Due to Other Funds	0	22,946	22,946
Deferred Revenue	10,072,259	589,164	10,661,423
<i>Total Liabilities</i>	<u>13,237,184</u>	<u>1,121,801</u>	<u>14,358,985</u>
Fund Balances			
Restricted	0	1,397,346	1,397,346
Assigned	589,481	0	589,481
Unassigned	6,960,075	0	6,960,075
<i>Total Fund Balances</i>	<u>7,549,556</u>	<u>1,397,346</u>	<u>8,946,902</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 20,786,740</u>	<u>\$ 2,519,147</u>	<u>\$ 23,305,887</u>

See accompanying notes to the basic financial statements.

Dover City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances		\$ 8,946,902
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,749,173
Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.		541,143
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,178,946
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(6,725)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$ (2,000,000)	
Capital Appreciation Bonds	(498,806)	
Accretion of Interest - Capital Appreciation Bonds	(662,409)	
Capital Lease Payable	(158,863)	
Accrued Vacation Payable	(20,506)	
Compensated Absences	<u>(1,881,145)</u>	
Total		<u>(5,221,729)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 14,187,710</u></u>

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 11,225,108	\$ 684,464	\$ 11,909,572
Intergovernmental	9,309,441	2,197,562	11,507,003
Investment Income	4,193	95	4,288
Tuition and Fees	169,086	0	169,086
Extracurricular Activities	141,005	375,108	516,113
Charges for Services	0	408,985	408,985
Contributions and Donations	33,265	23,193	56,458
Miscellaneous	98,926	0	98,926
<i>Total Revenues</i>	<u>20,981,024</u>	<u>3,689,407</u>	<u>24,670,431</u>
Expenditures			
Current:			
Instruction:			
Regular	10,207,766	729,318	10,937,084
Special	1,928,274	13,491	1,941,765
Vocational	23,924	2,000	25,924
Student Intervention Services	84,924	18,831	103,755
Other	215,698	0	215,698
Support Services:			
Pupils	1,132,631	220,714	1,353,345
Instructional Staff	879,815	408,608	1,288,423
Board of Education	52,392	0	52,392
Administration	1,909,187	1,292	1,910,479
Fiscal	690,330	16,310	706,640
Operation and Maintenance of Plant	1,771,659	59,394	1,831,053
Pupil Transportation	884,347	0	884,347
Extracurricular Activities	615,363	416,703	1,032,066
Operation of Non-Instructional Services:			
Food Service Operations	0	873,374	873,374
Community Services	0	158,524	158,524
Debt Service:			
Principal Retirement	67,799	615,000	682,799
Interest and Fiscal Charges	2,430	91,458	93,888
<i>Total Expenditures</i>	<u>20,466,539</u>	<u>3,625,017</u>	<u>24,091,556</u>
<i>Excess of Revenues Over Expenditures</i>	<u>514,485</u>	<u>64,390</u>	<u>578,875</u>
Other Financing Sources			
Proceeds from Sale of Capital Assets	1,615	0	1,615
Inception of Capital Lease	158,863	0	158,863
<i>Total Other Financing Sources</i>	<u>160,478</u>	<u>0</u>	<u>160,478</u>
<i>Net Change in Fund Balance</i>	674,963	64,390	739,353
<i>Fund Balances Beginning of Year</i>	<u>6,874,593</u>	<u>1,332,956</u>	<u>8,207,549</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,549,556</u>	<u>\$ 1,397,346</u>	<u>\$ 8,946,902</u>

See accompanying notes to the basic financial statements.

Dover City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds		\$	739,353
 <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		\$ 305,318	
Current Year Depreciation		<u>(400,520)</u>	(95,202)
 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.			
			(32,323)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property Taxes		(31,887)	
Intergovernmental		<u>(365,563)</u>	(397,450)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Bond Principal		615,000	
Capital Lease		<u>67,799</u>	682,799
 Inception of capital lease issued in the governmental funds that increase long-term in the statement of net assets are not reported as revenues.			
			(158,863)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.			
			1,212,107
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Accrued Vacation Payable		3,121	
Compensated Absences		<u>(108,654)</u>	(105,533)
 Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.			
			<u>(114,418)</u>
 <i>Change in Net Assets of Governmental Activities</i>			 <u><u>\$ 1,730,470</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, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 11,039,664	\$ 10,888,917	\$ 11,060,261	\$ 171,344
Intergovernmental	9,703,614	9,180,508	9,309,441	128,933
Investment Income	7,000	7,000	4,193	(2,807)
Tuition and Fees	30,000	30,000	67,230	37,230
Charges for Services	121,249	121,249	0	(121,249)
Contributions and Donations	31,000	31,000	33,265	2,265
Miscellaneous	61,830	85,000	98,369	13,369
<i>Total Revenues</i>	<u>20,994,357</u>	<u>20,343,674</u>	<u>20,572,759</u>	<u>229,085</u>
Expenditures				
Current:				
Instruction:				
Regular	10,091,607	10,091,607	9,907,676	183,931
Special	1,902,366	1,902,366	1,923,390	(21,024)
Vocational	51,830	51,830	26,339	25,491
Student Intervention Services	90,692	90,692	68,454	22,238
Other	99,473	99,473	82,461	17,012
Support Services:				
Pupils	1,146,419	1,146,419	1,169,176	(22,757)
Instructional Staff	933,977	933,977	916,084	17,893
Board of Education	95,983	95,983	68,514	27,469
Administration	2,008,996	2,008,996	1,986,265	22,731
Fiscal	693,643	693,643	696,778	(3,135)
Operation and Maintenance of Plant	2,027,175	2,027,175	1,979,905	47,270
Pupil Transportation	844,658	844,658	908,737	(64,079)
Extracurricular Activities	634,458	634,458	636,590	(2,132)
<i>Total Expenditures</i>	<u>20,621,277</u>	<u>20,621,277</u>	<u>20,370,369</u>	<u>250,908</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>373,080</u>	<u>(277,603)</u>	<u>202,390</u>	<u>479,993</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	1,615	1,615
Refund of Prior Year Expenditures	0	0	626	626
Advances In	100,000	100,000	223,874	123,874
Advances Out	(125,000)	(125,000)	(176,520)	(51,520)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(25,000)</u>	<u>49,595</u>	<u>74,595</u>
<i>Net Change in Fund Balance</i>	348,080	(302,603)	251,985	554,588
<i>Fund Balance Beginning of Year</i>	7,752,994	7,752,994	7,752,994	0
Prior Year Encumbrances Appropriated	466,364	466,364	466,364	0
<i>Fund Balance End of Year</i>	<u>\$ 8,567,438</u>	<u>\$ 7,916,755</u>	<u>\$ 8,471,343</u>	<u>\$ 554,588</u>

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 1,497,482
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	318,536
Net Assets	
Unrestricted	\$ 1,178,946

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 3,260,999
Operating Expenses	
Purchased Services	655,081
Claims	1,408,793
<i>Total Operating Expenses</i>	2,063,874
<i>Operating Income</i>	1,197,125
Non-Operating Revenue	
Interest	14,982
<i>Change in Net Assets</i>	1,212,107
<i>Net Assets Beginning of Year- Restated (See Note 3)</i>	(33,161)
<i>Net Assets End of Year</i>	\$ 1,178,946

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, 2012

	Governmental Activities - Internal Service Fund
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received for Interfund Services	\$ 3,260,999
Cash Paid for Goods and Services	(655,081)
Cash Paid for Claims	(1,486,327)
	1,119,591
<i>Net Cash Provided By Operating Activities</i>	
Cash Flows From Investing Activities	
Interest on Investments	14,982
	14,982
<i>Net Increase in Cash and Cash Equivalents</i>	
	1,134,573
<i>Cash and Cash Equivalents Beginning of Year</i>	
	362,909
<i>Cash and Cash Equivalents End of Year</i>	
	\$ 1,497,482
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 1,197,125
Adjustments:	
Decrease in Claims Payable	(77,534)
	(77,534)
<i>Net Cash Provided By Operating Activities</i>	
	\$ 1,119,591

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 400,776	\$ 108,059
Investments in Segregated Accounts	15,446	0
<i>Total Assets</i>	416,222	\$ 108,059
Liabilities		
Accounts Payable	0	\$ 25,591
Due to Students	0	82,468
<i>Total Liabilities</i>	0	\$ 108,059
Net Assets		
Held in Trust for Scholarships	\$ 416,222	

See accompanying notes to the basic financial statements.

Dover City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 4,092
Investment Earnings	959
	5,051
 Deductions	
Payments in Accordance with Trust Agreements	14,956
	(9,905)
<i>Change in Net Assets</i>	
<i>Net Assets Beginning of Year</i>	426,127
	\$ 416,222
<i>Net Assets End of Year</i>	416,222

See accompanying notes to the basic financial statements.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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

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

The School District is involved with Ohio Mid-Eastern Regional Education Service Association (OME-RESA), Buckeye Joint Vocational School District, and Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Dover Public Library is a related organization of the School District. Additional information about these organizations is presented in Notes 17, 18 and 19 to the basic financial statements.

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

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

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

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

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

C. Measurement Focus

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

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements. The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District’s central bank account and are reflected in the financial statements as “cash and cash equivalents with fiscal agent.”

During fiscal year 2012, investments were limited to STAROhio, money market accounts and an annuity.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2012. 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, 2012.

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 2012 amounted to \$4,193 which includes \$1,126 assigned from other School District funds.

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District’s central bank account. The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

F. Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset’s life are not.

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

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

G. Interfund Balances

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

H. Compensated Absences

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

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

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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

J. 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2012, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

K. Fund Balance

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

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

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

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

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

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

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

N. Estimates

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

O. Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 3: RESTATEMENT OF FUND BALANCES

During the current fiscal year it was determined the School District's medical, prescription and dental insurance activity should be reported in an internal service fund. Beginning balances have been restated as follows:

	Governmental Activities
Net Assets Previously Reported at June 30, 2011	\$ 12,490,401
Internal Service Fund:	
Cash with Fiscal Agent	362,909
Claims Payable	(396,070)
Restated Net Assets at July 1, 2012	\$ 12,457,240
	Internal Service Fund
Net Assets Previously Reported at June 30, 2011	\$ 0
Cash with Fiscal Agent	362,909
Claims Payable	(396,070)
Restated Net Assets at July 1, 2012	\$ (33,161)

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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	\$ 674,963
Net adjustment for revenue accruals	(323,538)
Advances In	223,874
Net adjustment for expenditure accruals	(596,030)
Advances Out	(176,520)
Funds budgeted elsewhere **	(7,266)
Adjustment for encumbrances	<u>456,502</u>
Budget Basis	<u>\$ 251,985</u>

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

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2012, the School District and public depositories complied with the provisions of these statutes.

Deposits Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

At fiscal year-end, the carrying amount of the School District’s deposits was \$9,949,044, which includes \$250 cash on hand. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2012, \$3,563,707 of the School District’s bank balance of \$9,988,955 was exposed to custodial risk as discussed above, while \$6,425,248 was covered by Federal Deposit Insurance Corporation.

Investments As of June 30, 2012, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity 6 Months or Less
Annuity	\$ 15,446	\$ 15,446
STAROhio	1,240,430	1,240,430
Total	\$ 1,255,876	\$ 1,255,876

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

Credit Risk. The School District’s annuity is an unrated investment. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor’s.

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

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2012:

Investment Type	Fair Value	Percent of Total
Annuity	\$ 15,446	1.23%
STAROhio	1,240,430	98.77%
Total	\$ 1,255,876	100.00%

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Funds Held by Fiscal Agent

The School District participates in the Ohio Mid-Eastern Regional Education Service Agency School Employees Insurance Consortium for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$1,497,482. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 6: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

The amount available as an advance at June 30, 2012 was \$1,488,462 in the general fund, \$76,167 in the bond retirement debt service fund, and \$16,035 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$1,323,615 in the general fund, \$66,971 in the bond retirement debt service fund, and \$14,099 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 328,560,960	99%	\$ 328,561,180	99%
Public Utility Personal Property	3,869,820	1%	4,011,750	1%
Total	\$ 332,430,780	100%	\$ 332,572,930	100%
Full Tax Rate Per \$1,000 of assessed valuation	\$ 59.87		\$ 59.87	

NOTE 7: RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year.

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Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 06/30/2011	Additions	Deletions	Balance 06/30/2012
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 517,106	\$ 0	\$ 0	\$ 517,106
<i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	15,345,306	0	0	15,345,306
Improvements Other Than Buildings	214,197	0	0	214,197
Furniture and Fixtures	1,200,197	216,827	(161,741)	1,255,283
Vehicles	1,125,059	88,491	(42,747)	1,170,803
<i>Total Capital Assets being depreciated</i>	<u>17,884,759</u>	<u>305,318</u>	<u>(204,488)</u>	<u>17,985,589</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(7,927,059)	(255,653)	0	(8,182,712)
Improvements Other Than Buildings	(88,804)	(10,368)	0	(99,172)
Furniture and Fixtures	(773,978)	(66,146)	133,693	(706,431)
Vehicles	(735,326)	(68,353)	38,472	(765,207)
<i>Total Accumulated Depreciation</i>	<u>(9,525,167)</u>	<u>(400,520) *</u>	<u>172,165</u>	<u>(9,753,522)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>8,359,592</u>	<u>(95,202)</u>	<u>(32,323)</u>	<u>8,232,067</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 8,876,698</u>	<u>\$ (95,202)</u>	<u>\$ (32,323)</u>	<u>\$ 8,749,173</u>

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 323,521
Special	23,064
Support Services:	
Pupils	7,059
Instructional Staff	1,092
Administration	7,486
Fiscal Services	604
Operation and Maintenance of Plant	12,938
Pupil Transportation	3,813
Operation of Non-Instructional Services:	
Food Service Operations	10,903
Extracurricular Activities	10,040
Total Depreciation Expense	\$ 400,520

NOTE 9: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$78,340,492. The School District's vehicle insurance policy limit is \$1,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a School District liability policy. Additionally, the School District carries a \$4,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

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

C. Workers' Compensation

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

D. Employee Medical Benefits

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$318,536 reported in the internal service fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal year 2012 is as follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2012	\$ 396,070	\$ 1,408,793	\$ 1,486,327	\$ 318,536

Fiscal year 2012 is the first year the School District began reporting self-insurance activity. In subsequent years, two years' worth of information will be reported for comparison.

NOTE 10: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

B. Life Insurance

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$346,930, \$299,717 and \$343,514, respectively; 46 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,495,297 , \$1,459,744 and \$1,363,184, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$30,110 made by the School District and \$21,507 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 12: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,025, \$36,291, and \$12,364, respectively; 46 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$20,488, \$19,287, and \$20,428, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$115,023, \$112,288, and \$104,860, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 13: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2012 were as follows:

	Principal Outstanding 06/30/2011	Additions	Reductions	Principal Outstanding 06/30/2012	Amount Due in One Year
General Obligation Bonds:					
2004 School Improvement Refunding					
Bonds - Serial Bonds 2.0-4.1%	\$ 2,615,000	\$ 0	\$ (615,000)	\$ 2,000,000	\$ 0
Capital Appreciation Bonds-10.65%	498,806	0	0	498,806	261,353
Accretion on Capital Appreciation					
Bonds	547,991	114,418	0	662,409	347,058
<i>Total General Obligation Bonds</i>	3,661,797	114,418	(615,000)	3,161,215	608,411
Compensated Absences	1,772,491	234,723	(126,069)	1,881,145	57,314
Capital Lease Payable	67,799	158,863	(67,799)	158,863	29,144
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 5,502,087</u>	<u>\$ 508,004</u>	<u>\$ (808,868)</u>	<u>\$ 5,201,223</u>	<u>\$ 694,869</u>

On May 11, 2004 the School District issued \$6,625,000 in School Improvement Refunding Bonds with an average interest rate of 3% along with \$498,806 in Capital Appreciation Bonds to refund \$7,125,000 of outstanding School Improvement Bonds with interest rates of 5.7 to 6.25 percent. The bonds were issued for a twelve-year period, with final maturity at December 1, 2016. The net proceeds of \$7,123,806 (after payment of \$162,088 in underwriting fees, insurance, and other issuance costs) were used to retire the original bonds. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The principal balance outstanding on the defeased bonds at June 30, 2012 was \$3,415,000.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

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

Capital lease payable will be paid from the general fund.

Capital Appreciation Bonds

The capital appreciation bonds mature December 1, 2012 and 2013. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holders receive the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,275,000. For fiscal year 2012, \$114,418 was accreted for a total bond liability of \$1,161,215.

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		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 0	\$ 80,695	\$ 261,353	\$ 373,647	\$ 261,353	\$ 454,342
2014	0	80,695	237,453	402,547	237,453	483,242
2015	640,000	67,895	0	0	640,000	67,895
2016	665,000	41,795	0	0	665,000	41,795
2017	695,000	14,248	0	0	695,000	14,248
Total	\$ 2,000,000	\$ 285,328	\$ 498,806	\$ 776,194	\$ 2,498,806	\$ 1,061,522

NOTE 14: CAPITALIZED LEASE

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

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

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

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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, 2012:

		<u>Copiers</u>
Year ending June 30,	2013	\$ 35,436
	2014	35,436
	2015	35,436
	2016	35,436
	2017	<u>35,436</u>
		177,180
Less amount representing interest		<u>18,317</u>
Present value of minimum lease payments		<u>\$ 158,863</u>

NOTE 15: INTERFUND ACTIVITY

A. Interfund Balances

As of June 30, 2012, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Fund:		
General	\$ 176,520	\$ 0
Other Governmental:		
Title VI-B	0	97,696
Title I	0	61,390
Preschool Grant	0	3,429
Title II-A	<u>0</u>	<u>14,005</u>
Totals	<u>\$ 176,520</u>	<u>\$ 176,520</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, 2012 are reported on the Statement of Net Assets.

B. Due to/Due from

At June 30, 2012, the athletic fund owes the general fund \$22,946 for costs the general fund paid on-behalf of the athletic fund.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 16: FUND BALANCE

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

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

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 702,882	\$ 702,882
Capital Outlay	0	384,817	384,817
Special Education	0	45,137	45,137
Other Purposes	0	264,510	264,510
Total Restricted	0	1,397,346	1,397,346
Assigned for:			
Instruction	19,696	0	19,696
Support Services	175,373	0	175,373
Operation and Maintenance	155,114	0	155,114
Subsequent Year Appropriations	239,298	0	239,298
Total Assigned	589,481	0	589,481
Unassigned	6,960,075	0	6,960,075
<i>Total Fund Balance</i>	<i>\$ 7,549,556</i>	<i>\$ 1,397,346</i>	<i>\$ 8,946,902</i>

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member School Districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952. The School District paid \$83,803 for services provided during fiscal year 2012.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

B. Buckeye Joint Vocational School District (JVS)

The Buckeye Joint Vocational School District (JVS) is a jointly governed organization providing vocational services to its 11 School Districts. The JVS is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the School District's continued participation and no measurable equity interest exists. During fiscal year 2012, no monies were paid to the JVS from the School District.

C. Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2012, no monies were paid to the TCTIRC from the School District.

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

NOTE 18: INSURANCE PURCHASING POOL

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

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

NOTE 19: RELATED ORGANIZATION

Dover Public Library

The Dover Public Library (the "Library") is a related organization to the School District. The school board members are responsible for appointing all the trustees of Dover Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during the fiscal year 2012.

Dover City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 20: CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

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

NOTE 21: SET-ASIDES

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

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

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-Aside Requirement	457,940
Current Year Qualifying Disbursements	(678,151)
Current Year Offsets	(153,256)
Totals	\$ (373,467)
Balance Carried Forward to Fiscal Year 2013	\$ 0
Set-Aside Restricted Balance as of June 30, 2012	\$ 0

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

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2011	84.010	\$49,522		\$64,310	
	2012		273,395		258,524	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	22,223		30,359	
	2012		-		0	
<i>Total Title I Grants to Local Educational Agencies</i>			345,140		353,193	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2011	84.027	102,692		135,463	
	2012		459,468		431,696	
ARRA - Special Education Grants to States (IDEA Part B)	2011	84.391	36,478		55,977	
	2012		0		0	
<i>Total Special Education - Grants to States (IDEA Part B)</i>			598,638		623,136	
Special Education - Preschool Grants	2012	84.173	6,083		5,586	
<i>Total Special Education Cluster</i>			604,721		628,722	
Technology Literacy Challenge Fund Grants	2012	84.318	2,376		2,309	
Improving Teacher Quality State Grants	2011	84.367	12,959		19,127	
	2012		62,468		58,894	
<i>Total Improving Teacher Quality State Grants</i>			75,427		78,021	
ARRA - State Fiscal Stabilization Fund	2011	84.394	0		83,469	
Education Jobs Fund	2012	84.410	355,011		355,011	
Race to the Top	2012	84.413	350		350	
Total U.S. Department of Education			1,383,025		1,501,075	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Programs	N/A	10.555		\$54,564		\$54,564
Cash Assistance:						
National School Lunch Program	N/A	10.555	437,123		437,123	
Total U.S. Department of Agriculture - Child Nutrition Cluster			437,123	54,564	437,123	54,564
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>(Passed through the Ohio Department of Developmental Disabilities)</i>						
Community Alternative Funding System	N/A	93.778	18,199		54,834	
Total U.S. Department of Health and Human Services			18,199		54,834	
Total			\$1,838,347	\$54,564	\$1,993,032	\$54,564

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

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 2, 2013 wherein we noted the District's net assets at July 1, 2011, were restated to account for the medical, prescription and dental insurance activity in an internal service fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

January 2, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Dover City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Dover City School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Dover City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We did note a certain matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 2, 2013.

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



Dave Yost
Auditor of State

January 2, 2013

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster – CFDA #10.555 Education Jobs – CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

DOVER CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2013