



Dave Yost • Auditor of State



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
JUNE 30, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 30, 2018

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**Dover City School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
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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, 2017. 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 2017 are as follows:

- Net position increased \$20,450,444, which includes the recognition of a \$20,302,957 receivable for the Ohio Facilities Construction Commission ("OFCC") project.
- Capital assets increased \$1,076,740 during fiscal year 2017.
- During the fiscal year, outstanding debt increased from \$695,000 to \$26,197,356 due to new debt to finance the OFCC project.

***Using this Annual Report***

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

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

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

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Fund Financial Statements***

The major fund's financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement fund, the building fund, and the classroom facilities fund.

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

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

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

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position* and *Changes in Fiduciary Net Position* on pages 25 and 26. 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.

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**The School District as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

**Table 1**  
**Net Position**

	Governmental Activities	
	2017	2016
<b>Assets</b>		
Current and Other Assets	\$ 73,644,018	\$ 25,266,261
Capital Assets	9,383,460	8,306,720
<i>Total Assets</i>	83,027,478	33,572,981
<b>Deferred Outflows of Resources</b>		
Pension	8,457,340	3,960,840
<b>Liabilities</b>		
Current and Other Liabilities	4,239,984	3,730,132
Long-Term Liabilities:		
Due Within One Year	825,459	934,506
Due in More Than One Year		
Net Pension Liability	44,074,606	35,710,775
Other Amounts	27,461,893	1,634,789
<i>Total Liabilities</i>	76,601,942	42,010,202
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	11,360,185	10,118,108
Pension	22,707	2,355,971
<i>Total Deferred Inflows of Resources</i>	11,382,892	12,474,079
<b>Net Position</b>		
Net Investment in Capital Assets	7,863,498	7,508,978
Restricted	23,717,261	1,608,331
Unrestricted	(28,080,775)	(26,067,769)
<i>Total Net Position</i>	\$ 3,499,984	\$ (16,950,460)

During a prior fiscal year, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

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As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At fiscal year-end, capital assets represented 11 percent of total assets. Capital assets include land, buildings and building improvements, improvements other than buildings, furniture and fixtures, vehicles, and construction in progress. Net investment in capital assets was \$7,863,498 at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$23,717,261, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit balance of \$28,080,775. Deferred outflows and deferred inflows related to pension also fluctuated due to factors outside of the School District's control as they relate to GASB 68.

Current assets increased \$48,377,757 in fiscal year 2017. Cash increased due to unspent bond proceeds for debt issued to pay the local share of the OFCC project. Intergovernmental receivables increased significantly due to the recognition of the OFCC grant receivable of approximately \$20 million. Property taxes receivable also increased due to two new tax levies passed by the School District related to the OFCC project.

Capital assets increased \$1,076,740 primarily due to the purchase of additional land for the new high school.

Current liabilities increased \$509,852, which can partially be attributed to increased accrued interest payable related to the new debt issued by the School District in fiscal year 2017.

The increase in net pension liability, the decrease in deferred inflows of resources from pension and the increase in deferred outflows of resources for pension were primarily caused by changes related to net pension liability during 2017.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2017	2016
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,009,515	\$ 1,020,145
Operating Grants	3,277,196	3,326,764
Capital Grants	1,566,550	0
<i>Total Program Revenues</i>	<u>5,853,261</u>	<u>4,346,909</u>
<i>General Revenues:</i>		
Property Taxes	13,339,758	12,129,330
Grants and Entitlements Not Restricted	10,135,886	9,832,895
Grants and Entitlements - OFCC	20,302,957	0
Other	228,750	86,749
<i>Total General Revenues</i>	<u>44,007,351</u>	<u>22,048,974</u>
<i>Total Revenues</i>	<u>49,860,612</u>	<u>26,395,883</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	14,615,678	12,936,323
Special	3,250,375	2,767,460
Vocational	30,284	56,184
Student Intervention Services	181,049	202,471
Other	664,653	542,856
<i>Support Services:</i>		
Pupils	914,974	816,820
Instructional Staff	615,441	665,663
Board of Education	149,075	54,017
Administration	2,291,353	2,096,000
Fiscal	702,018	695,715
Operation and Maintenance of Plant	2,093,139	1,957,854
Pupil Transportation	904,598	840,046
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	906,096	831,613
Community Services	164,573	141,016
Extracurricular Activities	1,194,835	1,104,602
<i>Debt Service:</i>		
Interest and Fiscal Charges	384,429	49,905
Issuance Costs	347,598	0
<i>Total Expenses</i>	<u>29,410,168</u>	<u>25,758,545</u>
<i>Increase in Net Position</i>	20,450,444	637,338
<i>Net Position (Deficit) at Beginning of Year</i>	<u>(16,950,460)</u>	<u>(17,587,798)</u>
<i>Net Position (Deficit) at End of Year</i>	<u>\$ 3,499,984</u>	<u>\$ (16,950,460)</u>

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The increase in revenues is primarily due to the \$20 million grant receivable related to the OFCC construction project.

The increase in the interest and fiscal charges and issuance costs from 2016 to 2017 is due to the new debt issued to pay for the construction of a new high school.

The increase in regular and special instruction is mainly due to an increase in pension expense related to GASB 68

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	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 14,615,678	\$ 12,936,323	\$ 14,008,569	\$ 12,318,974
Special	3,250,375	2,767,460	1,546,891	1,040,594
Vocational	30,284	56,184	(23,277)	19,358
Student Intervention Services	181,049	202,471	90,511	64,549
Other	664,653	542,856	488,197	370,380
Support Services:				
Pupils	914,974	816,820	801,250	651,681
Instructional Staff	615,441	665,663	615,441	665,663
Board of Education	149,075	54,017	149,075	54,017
Administration	2,291,353	2,096,000	2,262,876	2,032,054
Fiscal	702,018	695,715	702,018	695,715
Operation and Maintenance of Plant	2,093,139	1,957,854	2,081,229	1,948,854
Pupil Transportation	904,598	840,046	880,902	825,752
Operation of Non-Instructional Services:				
Food Service Operations	906,096	831,613	(6,505)	(37,219)
Community Services	164,573	141,016	1,149	(13,268)
Extracurricular Activities	1,194,835	1,104,602	(773,446)	724,627
Debt Service:				
Interest and Fiscal Charges	384,429	49,905	384,429	49,905
Issuance Costs	347,598	0	347,598	0
<b>Total Expenses</b>	<b>\$ 29,410,168</b>	<b>\$ 25,758,545</b>	<b>\$ 23,556,907</b>	<b>\$ 21,411,636</b>

The dependence upon general revenues for governmental activities is apparent. Over 80 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.

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***Governmental Funds***

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29,338,733 and expenditures of \$39,276,393 for the fiscal year. The net change in fund balances for the fiscal year was an increase of \$26,321,822 for all governmental funds.

The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$394,217. Expense increases, primarily salaries and benefits, outpaced revenue increases for the fiscal year.

The fund balance of the bond retirement fund increased \$423,746 due to the timing of property tax collections versus debt payments.

The building fund's net change in fund balance for fiscal year 2017 was an increase of \$8,889,231. This fund was created in fiscal year 2017 for the OFCC construction project.

The classroom facilities fund's net change in fund balance for fiscal year 2017 was an increase of \$17,295,111. This fund was created in fiscal year 2017 for the OFCC construction project.

***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 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue and other financing sources of \$23,107,113 were lower than the final budget basis revenue by \$152,985. Final budget basis revenue was \$400,000 higher than original budget amounts due to an increase in estimated property tax revenue.

Final appropriations and other financing uses of \$24,888,788 were \$790,190 higher than the actual expenditures of \$24,098,598.

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2017, the School District had \$9,383,460 invested in capital assets, net of depreciation. Table 4 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 1,843,368	\$ 517,106
Construction in Progress	26,912	0
Land Improvements	69,627	73,986
Buildings and Building Improvements	6,370,206	6,685,254
Furniture and Fixtures	637,828	610,848
Vehicles	435,519	419,526
<i>Totals</i>	\$ 9,383,460	\$ 8,306,720

The \$1,076,740 increase in capital assets was attributable to a land purchase for a new school. See Note 7 for more information about the capital assets of the School District.

**Debt**

At June 30, 2017, the School District had \$26,197,356 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2017	2016
2004 School Improvement Refunding Bonds	\$ 0	\$ 695,000
2017 -Series I School Improvement Bonds	16,282,488	0
2017 -Series II School Improvement Bonds	9,914,868	0
<i>Total</i>	\$ 26,197,356	\$ 695,000

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***Current Issues***

The Dover City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. An emergency operating levy was passed in March 2008 and began collecting in 2009. This levy and a previous one were renewed in 2012 for an additional ten more years.

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 27 percent of revenues for governmental activities for the Dover City School District in fiscal year 2017.

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

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

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

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

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

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

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Net Position*  
*June 30, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 36,820,027
Cash and Cash Equivalents with Fiscal Agent	2,704,743
Receivables:	
Accounts	5,091
Intergovernmental	20,548,986
Property Taxes	13,565,171
Nondepreciable Capital Assets	1,870,280
Depreciable Capital Assets (Net)	7,513,180
<i>Total Assets</i>	83,027,478
 <b>Deferred Outflows of Resources</b>	
Pension	8,457,340
 <b>Liabilities</b>	
Accounts Payable	153,113
Accrued Wages and Benefits	3,023,444
Intergovernmental Payable	494,357
Matured Compensated Absences Payable	32,569
Accrued Interest Payable	291,111
Claims Payable	245,390
Long Term Liabilities:	
Due Within One Year	825,459
Due In More Than One Year:	
Net Pension Liability (See Note 10)	44,074,606
Other Amounts Due in More Than One Year	27,461,893
<i>Total Liabilities</i>	76,601,942
 <b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	11,360,185
Pension	22,707
<i>Total Deferred Inflows of Resources</i>	11,382,892
 <b>Net Position</b>	
Net Investment in Capital Assets	7,863,498
Restricted For:	
Capital Outlay	22,098,671
Debt Service	698,530
Other Purposes	920,060
Unrestricted	(28,080,775)
<i>Total Net Position</i>	\$ 3,499,984

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 14,615,678	\$ 120,586	\$ 486,523	\$ 0	\$ (14,008,569)
Special	3,250,375	0	1,703,484	0	(1,546,891)
Vocational	30,284	0	53,561	0	23,277
Student Intervention Services	181,049	0	90,538	0	(90,511)
Other	664,653	176,456	0	0	(488,197)
Support Services:					
Pupils	914,974	0	113,724	0	(801,250)
Instructional Staff	615,441	0	0	0	(615,441)
Board of Education	149,075	0	0	0	(149,075)
Administration	2,291,353	0	28,477	0	(2,262,876)
Fiscal	702,018	0	0	0	(702,018)
Operation and Maintenance of Plant	2,093,139	0	11,910	0	(2,081,229)
Pupil Transportation	904,598	7,755	15,941	0	(880,902)
Operation of Non-Instructional Services:					
Food Service Operations	906,096	304,622	607,979	0	6,505
Community Services	164,573	0	163,424	0	(1,149)
Extracurricular Activities	1,194,835	400,096	1,635	1,566,550	773,446
Debt Service:					
Interest and Fiscal Charges	384,429	0	0	0	(384,429)
Issuance Costs	347,598	0	0	0	(347,598)
<b>Total</b>	<b>\$ 29,410,168</b>	<b>\$ 1,009,515</b>	<b>\$ 3,277,196</b>	<b>\$ 1,566,550</b>	<b>(23,556,907)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	11,931,035
Debt Service	1,159,717
Capital Outlay	125,198
Classroom Facilities Maintenance	123,808
Grants and Entitlements Not Restricted to Specific Programs	10,135,886
Grants and Entitlements Not Restricted - OFCC Project	20,302,957
Investment Earnings	110,846
Miscellaneous	117,904
<b>Total General Revenues</b>	<b>44,007,351</b>

*Change in Net Position*

20,450,444

*Net Position Beginning of Year*

(16,950,460)

*Net Position End of Year*

\$ 3,499,984

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2017*

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Investments	\$ 8,200,840	\$ 763,367	\$ 8,903,431	\$ 17,295,111	\$ 1,657,278	\$ 36,820,027
Receivables:						
Accounts	5,091	0	0	0	0	5,091
Interfund	192,369	0	0	0	0	192,369
Intergovernmental	53,659	0	0	20,302,957	192,370	20,548,986
Property Taxes	11,878,841	1,392,046	0	0	294,284	13,565,171
<i>Total Assets</i>	<u>\$ 20,330,800</u>	<u>\$ 2,155,413</u>	<u>\$ 8,903,431</u>	<u>\$ 37,598,068</u>	<u>\$ 2,143,932</u>	<u>\$ 71,131,644</u>
<b>Liabilities</b>						
Accounts Payable	\$ 115,384	\$ 0	\$ 14,200	\$ 0	\$ 23,529	\$ 153,113
Accrued Wages and Benefits	2,737,665	0	0	0	285,779	3,023,444
Intergovernmental Payable	476,296	0	0	0	18,061	494,357
Matured Compensated Absences Payable	32,569	0	0	0	0	32,569
Interfund Payable	0	0	0	0	192,369	192,369
<i>Total Liabilities</i>	<u>3,361,914</u>	<u>0</u>	<u>14,200</u>	<u>0</u>	<u>519,738</u>	<u>3,895,852</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes Levied for the Next Year	9,947,964	1,165,772	0	0	246,449	11,360,185
Unavailable Revenue	189,499	22,207	0	20,302,957	197,065	20,711,728
<i>Total Deferred Inflows of Resources</i>	<u>10,137,463</u>	<u>1,187,979</u>	<u>0</u>	<u>20,302,957</u>	<u>443,514</u>	<u>32,071,913</u>
<b>Fund Balances</b>						
Restricted	0	967,434	8,889,231	17,295,111	1,342,965	28,494,741
Assigned	1,704,740	0	0	0	0	1,704,740
Unassigned	5,126,683	0	0	0	(162,285)	4,964,398
<i>Total Fund Balances</i>	<u>6,831,423</u>	<u>967,434</u>	<u>8,889,231</u>	<u>17,295,111</u>	<u>1,180,680</u>	<u>35,163,879</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 20,330,800</u>	<u>\$ 2,155,413</u>	<u>\$ 8,903,431</u>	<u>\$ 37,598,068</u>	<u>\$ 2,143,932</u>	<u>\$ 71,131,644</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2017*

<b>Total Governmental Fund Balances</b>		<b>\$ 35,163,879</b>
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,383,460
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 192,370	
OFCC Grant	20,302,957	
Property Taxes	<u>216,401</u>	20,711,728
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 <i>Statement of Net Position</i> .		2,459,353
In the <i>Statement of Activities</i> , interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(291,111)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	8,457,340	
Deferred Inflows - Pension	(22,707)	
Net Pension Liability	<u>(44,074,606)</u>	(35,639,973)
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	(25,165,000)	
Unamortized Bond Premium	(1,163,215)	
Unamortized Bond Discount	130,859	
Capital Lease Obligation	(166,787)	
Compensated Absences	<u>(1,923,209)</u>	<u>(28,287,352)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 3,499,984</u></u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property and Other Local Taxes	\$ 11,933,416	\$ 1,145,445	\$ 0	\$ 0	\$ 246,284	\$ 13,325,145
Intergovernmental	11,060,943	100,406	0	0	1,995,592	13,156,941
Investment Income	7,941	0	90,967	0	1,565	100,473
Tuition and Fees	128,341	0	0	0	0	128,341
Extracurricular Activities	158,314	0	0	0	400,097	558,411
Charges for Services	0	0	0	0	304,623	304,623
Contributions and Donations	78,709	0	1,566,550	0	1,635	1,646,894
Miscellaneous	117,905	0	0	0	0	117,905
<i>Total Revenues</i>	<u>23,485,569</u>	<u>1,245,851</u>	<u>1,657,517</u>	<u>0</u>	<u>2,949,796</u>	<u>29,338,733</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	12,977,872	0	0	0	463,758	13,441,630
Special	2,387,184	0	0	0	661,924	3,049,108
Vocational	18,345	0	0	0	11,939	30,284
Student Intervention Services	76,259	0	0	0	90,847	167,106
Other	664,888	0	0	0	0	664,888
Support Services:						
Pupils	737,441	0	0	0	76,013	813,454
Instructional Staff	607,998	0	0	0	0	607,998
Board of Education	149,075	0	0	0	0	149,075
Administration	2,126,176	0	0	0	20,912	2,147,088
Fiscal	650,801	19,391	0	0	4,420	674,612
Operation and Maintenance of Plant	1,936,783	0	14,200	0	52,358	2,003,341
Pupil Transportation	776,618	0	0	0	90,187	866,805
Extracurricular Activities	704,864	0	0	0	338,181	1,043,045
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	868,914	868,914
Community Services	0	0	0	0	162,392	162,392
Capital Outlay	111,306	0	1,338,975	0	0	1,450,281
Debt Service:						
Principal Retirement	51,792	10,595,000	0	0	0	10,646,792
Interest and Fiscal Charges	18,221	123,761	0	0	0	141,982
Issuance Costs	0	347,598	0	0	0	347,598
<i>Total Expenditures</i>	<u>23,995,623</u>	<u>11,085,750</u>	<u>1,353,175</u>	<u>0</u>	<u>2,841,845</u>	<u>39,276,393</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(510,054)	(9,839,899)	304,342	0	107,951	(9,937,660)
<b>Other Financing Sources (Uses)</b>						
Proceeds of Bond Anticipation Notes	0	0	8,584,889	1,315,111	0	9,900,000
Proceeds of General Obligation Bonds	0	9,185,000	0	15,980,000	0	25,165,000
Premium on Debt Issuance	0	1,210,991	0	0	0	1,210,991
Discount on Debt Issuance	0	(132,346)	0	0	0	(132,346)
Inception of Capital Lease	115,837	0	0	0	0	115,837
<i>Total Other Financing Sources (Uses)</i>	<u>115,837</u>	<u>10,263,645</u>	<u>8,584,889</u>	<u>17,295,111</u>	<u>0</u>	<u>36,259,482</u>
<i>Net Change in Fund Balance</i>	(394,217)	423,746	8,889,231	17,295,111	107,951	26,321,822
<i>Fund Balances Beginning of Year</i>	<u>7,225,640</u>	<u>543,688</u>	<u>0</u>	<u>0</u>	<u>1,072,729</u>	<u>8,842,057</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,831,423</u>	<u>\$ 967,434</u>	<u>\$ 8,889,231</u>	<u>\$ 17,295,111</u>	<u>\$ 1,180,680</u>	<u>\$ 35,163,879</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	26,321,822
 <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 <i>Statement of Activities</i> , the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,556,198	
Current Year Depreciation	<u>(478,855)</u>	1,077,343
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the <i>Statement of Activities</i> , a gain or loss is reported for each disposal.		
		(603)
Revenues in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	14,613	
Intergovernmental	<u>20,495,327</u>	20,509,940
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the <i>Statement of Net Position</i> .		
General Obligation Bonds	695,000	
Bond Anticipation Notes	9,900,000	
Capital Leases	<u>51,792</u>	10,646,792
Debt proceeds issued in the governmental funds that increase long-term liabilities in the <i>Statement of Net Position</i> are not reported as revenues.		
Inception of Capital Lease	(115,837)	
Bond Anticipation Notes	(9,900,000)	
General Obligation Bonds	(25,165,000)	
Premium on General Obligation Bonds	(1,180,104)	
Discount on General Obligation Bonds	<u>132,346</u>	(36,228,595)
In the <i>Statement of Activities</i> , interest is accrued on outstanding bonds, and bond premium and discount are amortized over the term of the bonds, whereas in the governmental funds, an interest expenditure is reported when due.		
Accrued Interest Payable	(288,736)	
Amortization of Premium	16,889	
Amortization of Discount	<u>(1,487)</u>	(273,334)
Contractually required contributions are reported as expenditures in governmental funds; however, the <i>Statement of Net Position</i> reports these amounts as deferred outflows.		
		2,119,555
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the <i>Statement of Activities</i> .		
		(3,653,622)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide <i>Statement of Activities</i> . 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.		
		60,130
Some expenses reported in the <i>Statement of Activities</i> do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(151,656)	
Accrued Vacation Leave Payable	<u>22,672</u>	<u>(128,984)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>20,450,444</u></u>

See accompanying notes to the basic financial statements.



**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Financing Sources	\$ 22,860,098	\$ 23,260,098	\$ 23,107,113	\$ (152,985)
Expenditures and Other Financing Uses	24,888,788	24,888,788	24,098,598	790,190
Net Change in Fund Balance	(2,028,690)	(1,628,690)	(991,485)	637,205
<i>Fund Balance Beginning of Year</i>	7,508,892	7,508,892	7,508,892	0
Prior Year Encumbrances Appropriated	923,859	923,859	923,859	0
<i>Fund Balance End of Year</i>	<u>\$ 6,404,061</u>	<u>\$ 6,804,061</u>	<u>\$ 7,441,266</u>	<u>\$ 637,205</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2017*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 2,704,743
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	245,390
<b>Net Position</b>	
Unrestricted	\$ 2,459,353

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 4,009,999
<b>Operating Expenses</b>	
Purchased Services	344,539
Claims	3,617,269
<i>Total Operating Expenses</i>	<u>3,961,808</u>
<i>Operating Income</i>	<u>48,191</u>
<b>Non-Operating Revenues</b>	
Interest	<u>11,939</u>
<i>Change in Net Position</i>	60,130
<i>Net Position Beginning of Year</i>	<u>2,399,223</u>
<i>Net Position End of Year</i>	<u>\$ 2,459,353</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 4,009,999
Cash Paid for Goods and Services	(344,539)
Cash Paid for Claims	<u>(3,607,035)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>58,425</u>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	<u>11,939</u>
<i>Net Increase in Cash and Cash Equivalents</i>	70,364
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>2,634,379</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 2,704,743</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	\$ 48,191
Increase in Liabilities:	
Claims Payable	<u>10,234</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 58,425</u></u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2017*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 403,797	\$ 153,191
Investments in Segregated Accounts	17,907	0
<i>Total Assets</i>	<u>421,704</u>	<u>\$ 153,191</u>
<b>Liabilities</b>		
Accounts Payable	0	\$ 17,463
Due to Students	0	135,728
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 153,191</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 421,704</u>	

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 20,020
Investment Earnings	995
	21,015
<i>Total Additions</i>	<i>21,015</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	9,873
	11,142
<i>Change in Net Position</i>	<i>11,142</i>
<i>Net Position Beginning of Year</i>	<i>410,562</i>
<i>Net Position End of Year</i>	<i>\$ 421,704</i>

See accompanying notes to the basic financial statements.

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

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

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

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

The School District is involved with Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), Buckeye Joint Vocational School District, 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 16, 17 and 18 to the basic financial statements.

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

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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



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

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

**Bond Retirement Fund** - The bond retirement fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the construction and renovation of facilities.

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

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

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

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

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

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

**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
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**C. Measurement Focus**

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

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

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

**D. Basis of Accounting**

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

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

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

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.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, revenue in lieu of taxes, pension, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide *Statement of Net Position* and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide *Statement of Net Position*. (See Note 10).

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

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

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

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

The School District also invests in federal agency securities, commercial paper, a money market account, and certificates of deposit (CDs). Investments are reported at fair value which is based on quoted market prices. An analysis of the School District’s investment account at year end is provided in Note 4.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$7,941 which includes \$4,472 assigned from other School District funds.

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

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

***F. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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***G. Interfund Balances***

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

***H. Compensated Absences***

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

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

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

***I. Pensions***

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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.

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**Tuscarawas County, Ohio**  
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***K. Bond Discounts and Premiums***

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

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

***L. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2017, there was no net position restricted by enabling legislation.

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

***M. 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.

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

***N. 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.

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

***P. Estimates***

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

**Dover City School District**  
**Tuscarawas County, Ohio**  
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***Q. 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 fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed.

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

***R. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the School District's fiscal year 2017 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.



**Dover City School District**  
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*Notes to the Basic Financial Statements*  
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GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<u><b>Net Change in Fund Balance</b></u>	
GAAP Basis	\$ (394,217)
Net Adjustment for Revenue Accruals	(223,901)
Net Adjustment for Expenditure Accruals	288,265
Funds Budgeted Elsewhere	25,598
Adjustment for Encumbrances	<u>(687,230)</u>
Budget Basis	<u><u>\$ (991,485)</u></u>

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

**Dover City School District**  
**Tuscarawas County, Ohio**  
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**NOTE 4: DEPOSITS AND INVESTMENTS**

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

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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 fiscal year 2017, the School District and public depositories complied with the provisions of these statutes.

**Cash on Hand** At year end, the School District had \$250 in undeposited cash on hand which is included on the financial statements of the School District as part of equity in pooled cash and cash equivalents.

**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.

At fiscal year-end, the carrying amount of the School District's deposits was \$13,082,230. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$11,158,544 of the School District's bank balance of \$13,165,946 was exposed to custodial risk as discussed below, while \$2,007,402 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$1,257,402 held in a STAR Plus account.

**Investments** As of June 30, 2017, the School District had the following investments and maturities:

S&P Rating	Investment Type	Measurement Amount	Maturity (in Months)			Percent of Total
			0-12	12-36	More than 36	
A-1+	Commercial Paper	\$ 8,221,901	\$ 8,221,901	\$ 0	\$ 0	33.82%
A-1	Commercial Paper	8,587,844	8,587,844	0	0	35.32%
AA+	US Government Notes	4,235,102	0	4,235,102	0	17.42%
	Certificates of Deposit	2,000,000	0	0	2,000,000	8.23%
AAA	Money Market	9,293	9,293	0	0	0.04%
AAAm	Star Ohio	1,240,395	1,240,395	0	0	5.10%
N/A	Annuity	17,907	17,907	0	0	0.07%
	<b>Total</b>	<b>\$ 24,312,442</b>	<b>\$ 18,077,340</b>	<b>\$ 4,235,102</b>	<b>\$ 2,000,000</b>	<b>100.00%</b>

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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. All investments of the School District are valued using quoted market prices (Level 1 inputs), with the exception of STAR Ohio which is valued at amortized cost.

**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 investments at June 30, 2017 are rated as shown above by S & P Global Rating. The School District's annuity is an unrated investment.

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

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The previous table includes the percentage to total of each investment type held by the School District at June 30, 2017.

***Funds Held by Fiscal Agent***

The School District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was \$2,704,743. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**NOTE 5: PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, bond retirement, classroom facilities maintenance and permanent improvement funds was \$1,741,378, \$204,067, \$25,014, and \$18,126, respectively. The amount available as an advance at June 30, 2016 in the general, bond retirement and permanent improvement funds was \$1,681,303, \$69,532, and \$17,289, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 338,651,780	98%	\$ 363,810,850	98%
Public Utility Personal Property	7,341,040	2%	7,662,600	2%
<b>Total</b>	<b>\$ 345,992,820</b>	<b>100%</b>	<b>\$ 371,473,450</b>	<b>100%</b>
 Full Tax Rate Per \$1,000 of assessed valuation	 \$ 58.97		 \$ 60.97	

**NOTE 6: RECEIVABLES**

Receivables at June 30, 2017 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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**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance 06/30/2016	Additions	Deletions	Balance 06/30/2017
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 517,106	\$ 1,326,262	\$ 0	\$ 1,843,368
Construction in Progress	0	26,912	0	26,912
<i>Total Capital Assets not being depreciated</i>	<u>517,106</u>	<u>1,353,174</u>	<u>0</u>	<u>1,870,280</u>
<i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	16,055,933	0	0	16,055,933
Improvements Other Than Buildings	214,197	0	0	214,197
Furniture and Fixtures	1,615,571	116,706	(85,415)	1,646,862
Vehicles	1,265,046	86,318	0	1,351,364
<i>Total Capital Assets being depreciated</i>	<u>19,150,747</u>	<u>203,024</u>	<u>(85,415)</u>	<u>19,268,356</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(9,370,679)	(315,048)	0	(9,685,727)
Improvements Other Than Buildings	(140,211)	(4,359)	0	(144,570)
Furniture and Fixtures	(1,004,723)	(89,123)	84,812	(1,009,034)
Vehicles	(845,520)	(70,325)	0	(915,845)
<i>Total Accumulated Depreciation</i>	<u>(11,361,133)</u>	<u>(478,855) *</u>	<u>84,812</u>	<u>(11,755,176)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>7,789,614</u>	<u>(275,831)</u>	<u>(603)</u>	<u>7,513,180</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 8,306,720</u>	<u>\$ 1,077,343</u>	<u>\$ (603)</u>	<u>\$ 9,383,460</u>

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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 250,808
Special	15,061
Support Services:	
Pupils	5,306
Instructional Staff	688
Administration	11,660
Fiscal Services	381
Operation and Maintenance of Plant	14,416
Pupil Transportation	74,358
Operation of Non-Instructional Services:	
Food Service Operations	8,348
Extracurricular Activities	97,829
Total Depreciation Expense	\$ 478,855

**NOTE 8: RISK MANAGEMENT**

***A. General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$91,407,530. The School District's vehicle insurance policy limit is \$1,000,000 with a \$250 comprehensive 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.

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For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 Compmangement provides administrative, cost control and actuarial services to the GRP.

***D. Employee Medical Benefits***

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$245,390 reported in the internal service fund at June 30, 2017, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2017 and 2016 are as follows:

	<u>Balance</u>	<u>Current</u>	<u>Claims</u>	<u>Balance</u>
	<u>Beginning of Year</u>	<u>Year Claims</u>	<u>Payments</u>	<u>End of Year</u>
2016	\$ 172,318	\$ 2,908,181	\$ 2,845,343	\$ 235,156
2017	235,156	3,617,269	3,607,035	245,390

**NOTE 9: OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

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



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

***B. Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to employees through UnumProvident. Coverage is provided for all certified and classified employees in the amount of \$13,000.

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$375,812 for fiscal year 2017. Of this amount, \$37,332 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,743,743 for fiscal year 2017. Of this amount, \$299,360 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net			
Pension Liability	\$ 37,808,473	\$ 6,266,133	\$ 44,074,606
Proportion of the Net Pension Liability:			
Current Measurement Date	0.11295210%	0.08561370%	
Prior Measurement Date	0.11166560%	0.08499100%	
Change in Proportionate Share	0.00128650%	0.00062270%	
 Pension Expense	 \$ 3,008,125	 \$ 645,497	 \$ 3,653,622

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

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At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 1,527,644	\$ 84,515	\$ 1,612,159
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,139,119	516,866	3,655,985
Changes of Assumptions	0	418,299	418,299
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	623,401	27,941	651,342
School District Contributions Subsequent to the Measurement Date	1,743,743	375,812	2,119,555
<b>Total Deferred Outflows of Resources</b>	<u>\$ 7,033,907</u>	<u>\$ 1,423,433</u>	<u>\$ 8,457,340</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 0</u>	<u>\$ 22,707</u>	<u>\$ 22,707</u>

\$2,119,555 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 921,094	\$ 254,773	\$ 1,175,867
2019	921,093	254,399	1,175,492
2020	2,125,664	367,163	2,492,827
2021	1,322,313	148,579	1,470,892
	<u>\$ 5,290,164</u>	<u>\$ 1,024,914</u>	<u>\$ 6,315,078</u>

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 8,295,969	\$ 6,266,133	\$ 4,567,075

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on the fifth anniversary of the retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

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Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:



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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 50,244,388	\$ 37,808,473	\$ 27,318,045

**Changes Between Measurement Date and Report Date** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

**NOTE 11: POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$42,607.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$24,036. The full amount has been contributed for fiscal year 2015.

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**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

**NOTE 12: LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during the fiscal year 2017 were as follows:

	Outstanding 06/30/2016	Additions	Reductions	Outstanding 06/30/2017	Amount Due in One Year
<b>General Obligation Bonds:</b>					
2004 School Improvement Refunding					
Bonds - Serial Bonds 2.0-4.1%	\$ 695,000	\$ 0	\$ (695,000)	\$ 0	\$ 0
2017 Classroom Facilities & School Improvement					
Bonds - Series 2017-2	0	9,185,000	0	9,185,000	310,000
Unamortized Premium	0	741,833	11,965	729,868	0
2017 Classroom Facilities & School Improvement					
Bonds - Series 2017-1	0	15,980,000		15,980,000	300,000
Unamortized Premium	0	438,271	4,924	433,347	0
Unamortized Discount	0	(132,346)	(1,487)	(130,859)	0
Total General Obligation Bonds	<u>695,000</u>	<u>26,212,758</u>	<u>(679,598)</u>	<u>26,197,356</u>	<u>610,000</u>
2017 Bond Anticipation Notes	0	9,900,000	(9,900,000)	0	0
Net Pension Liability:					
STRS	30,861,106	6,947,367	0	37,808,473	0
SERS	4,849,669	1,416,464	0	6,266,133	0
Total Net Pension Liability	<u>35,710,775</u>	<u>8,363,831</u>	<u>0</u>	<u>44,074,606</u>	<u>0</u>
Compensated Absences	1,771,553	196,193	(44,537)	1,923,209	184,932
Capital Lease Payable	102,742	115,837	(51,792)	166,787	30,527
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 38,280,070</u>	<u>\$ 44,788,619</u>	<u>\$ (10,675,927)</u>	<u>\$ 72,361,958</u>	<u>\$ 825,459</u>

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On May 11, 2004 the School District issued \$6,625,000 in School Improvement Refunding Bonds with an average interest rate of 3 percent 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 Position*. The principal balance outstanding on the defeased bonds at June 30, 2017 was \$0.

In December 2016, the School District issued \$9,900,000 in bond anticipation notes for the purpose of new construction and building improvements throughout the School District. In March 2017, the bonds were refinanced on a long-term basis with the issuance of the 2017 Series 2 General Obligation Bonds, as described below.

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

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

Principal and interest requirements to retire the 2017 general obligation bonds outstanding at June 30, 2017 are as follows:

	2017 Series I		2017 Series II		Total	
	School Improvements Bond		School Improvements Bond		Principal	Interest
	Principal	Interest	Principal	Interest		
2018	\$ 300,000	\$ 684,916	\$ 310,000	\$ 400,101	\$ 610,000	\$ 1,085,017
2019	250,000	589,688	245,000	349,288	495,000	938,976
2020	500,000	582,188	5,000	344,338	505,000	926,526
2021	510,000	572,088	10,000	344,188	520,000	916,276
2022	520,000	556,588	10,000	343,988	530,000	900,576
2023-2027	2,315,000	2,542,976	585,000	1,706,732	2,900,000	4,249,708
2028-2032	250,000	2,379,625	3,205,000	1,293,900	3,455,000	3,673,525
2033-2037	265,000	2,331,907	3,930,000	582,400	4,195,000	2,914,307
2038-2042	4,305,000	1,976,989	885,000	17,700	5,190,000	1,994,689
2043-2046	6,765,000	709,775	0	0	6,765,000	709,775
<i>Total</i>	<u>\$ 15,980,000</u>	<u>\$ 12,926,740</u>	<u>\$ 9,185,000</u>	<u>\$ 5,382,635</u>	<u>\$25,165,000</u>	<u>\$18,309,375</u>

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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 bond retirement fund.

Compensated absences will be paid from the general fund and food service fund. Capital lease payable will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**NOTE 13: CAPITALIZED LEASES**

During fiscal year 2017, the School District entered into a new lease for copiers. During fiscal year 2016, the School District entered into a lease for a telephone system. The leases met the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

These assets have been capitalized in the governmental capital assets in the amount of \$147,019, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the *Statement of Net Position* and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease. Accumulated depreciation was \$15,938 as of June 30, 2017, leaving a current book value of \$131,081.

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 and support services-operation and maintenance on the budgetary basis in the general fund.

The following is a schedule of the future long term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017:

		<u>Copiers</u>	<u>Telephones</u>	<u>Total</u>
Year ending June 30,	2018	\$ 29,637	\$ 24,792	\$ 54,429
	2019	29,637	24,792	54,429
	2020	29,637	24,792	54,429
	2021	29,637	8,264	37,901
	2022	19,758	0	19,758
		<u>138,306</u>	<u>82,640</u>	<u>220,946</u>
Less amount representing interest		<u>29,281</u>	<u>24,878</u>	<u>54,159</u>
Present value of minimum lease payments		<u>\$ 109,025</u>	<u>\$ 57,762</u>	<u>\$ 166,787</u>

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**NOTE 14: INTERFUND BALANCES**

As of June 30, 2017, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

<b>Fund:</b>	Interfund Receivable	Interfund Payable
General	\$ 192,369	\$ 0
Other Governmental:		
Title VI-B	0	67,107
Title I	0	99,277
Preschool Grant	0	3,107
Title II-A	0	15,282
21st Century	0	7,596
Totals	\$ 192,369	\$ 192,369

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, 2017 are reported on the *Statement of Net Position*.

**NOTE 15: 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, 2016	\$ 0
Current Year Set-Aside Requirement	496,975
Current Year Qualifying Disbursements	(415,653)
Current Year Offsets	(240,232)
Totals	\$ (158,910)
Balance Carried Forward to Fiscal Year 2018	\$ 0
Set-Aside Restricted Balance as of June 30, 2017	\$ 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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**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS**

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member school districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Education Service Agency, Debra Angelo, who serves as Treasurer, 2230 Sunset Boulevard, Suite 2, Steubenville, Ohio 43952. The School District paid \$87,781 for services provided during fiscal year 2017.

***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 2017, the School District paid the JVS \$70 for services provided to the School District.

***C. Tuscarawas County Tax Incentive Review Council (TCTIRC)***

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 56 members, consisting of three members appointed by the County Commissioners, 22 members appointed by municipal corporations, 12 members appointed by township trustees, two members from the county auditor's office, 16 members appointed by boards of education located within the county, and one member representing the Economic Development and Finance Alliance. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2017, 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.

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**NOTE 17: INSURANCE PURCHASING POOL**

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

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

**NOTE 18: 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 2017.

**NOTE 19: CONTINGENCIES AND COMMITMENTS**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

***B. Litigation***

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

***C. Other Commitments***

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

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Fund	Amount
General	\$ 531,947
Other Governmental	146,134
	\$ 678,081

***D. School District Foundation***

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2017 have been finalized. The impact of the FTE adjustments have been recorded as a receivable on the fiscal year 2017 financial statements.

**NOTE 20: FUND BALANCE**

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

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

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total
Restricted for:						
Debt Service	\$ 0	\$ 967,434	\$ 0	\$ 0	\$ 0	\$ 967,434
Capital Outlay	0	0	8,889,231	17,295,111	453,580	26,637,922
Special Education	0	0	0	0	323,459	323,459
Other Purposes	0	0	0	0	565,926	565,926
Total Restricted	0	967,434	8,889,231	17,295,111	1,342,965	28,494,741
Assigned for:						
Instruction	151,768	0	0	0	0	151,768
Support Services	371,311	0	0	0	0	371,311
Extracurricular	1,259	0	0	0	0	1,259
Facilities	7,609	0	0	0	0	7,609
Subsequent Year Appropriations	1,172,793	0	0	0	0	1,172,793
Total Assigned	1,704,740	0	0	0	0	1,704,740
Unassigned	5,126,683	0	0	0	(162,285)	4,964,398
<b>Total Fund Balance</b>	<b>\$ 6,831,423</b>	<b>\$ 967,434</b>	<b>\$ 8,889,231</b>	<b>\$ 17,295,111</b>	<b>\$ 1,180,680</b>	<b>\$ 35,163,879</b>



**Dover City School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 21: FUND DEFICITS**

Fund balances at June 30, 2017 included the following individual fund deficits:

<i>Non-Major Special Revenue Funds:</i>	<i>Deficit</i>
Title VI-B	\$ 100,521
Title I	45,946
IDEA Preschool Grant	1,016
Improving Teacher Quality	10,271
Miscellaneous Federal Grants	4,531
	\$ 162,285

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

**NOTE 22: TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Dover and Franklin Township in Tuscarawas County entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the School District. Under the agreements, the School District property taxes were reduced by \$31,459 during fiscal year 2017.

**NOTE 23: SUBSEQUENT EVENTS**

On July 14, 2017, the School District entered into an agreement with STAN & Associates in the amount of \$190,860 for the purpose of service as Commissioning Agent for the construction the Dover High School project.

On August 3, 2017, the School District entered into an agreement with Hammond Construction, Inc. in the amount of \$83,404 and \$433,829 for the purpose of construction manager and at-risk services regarding the preconstruction and general construction of the Dover High School project.

On August 7, 2017, the School District entered into an agreement with SHP Leading Design in the amount of \$2,870,398 for the purpose of architectural and engineering services regarding the construction, abatement and demolition of the Dover High School project.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net Pension Liability	0.11295210%	0.11166560%	0.10982192%	0.10982192%
School District's Proportionate Share of the Net Pension Liability	\$ 37,808,473	\$ 30,861,106	\$ 26,712,492	\$ 31,819,745
School District's Covered Payroll	\$ 12,020,571	\$ 11,833,257	\$ 11,563,315	\$ 12,204,923
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	314.53%	260.80%	231.01%	260.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net Pension Liability	0.08561370%	0.08499100%	0.08574500%	0.08574500%
School District's Proportionate Share of the Net Pension Liability	\$ 6,266,133	\$ 4,849,669	\$ 4,339,506	\$ 5,098,980
School District's Covered Payroll	\$ 2,673,671	\$ 2,931,222	\$ 2,814,957	\$ 3,074,299
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	234.36%	165.45%	154.16%	165.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

**Notes:**

***School Employees Retirement System (SERS)***

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

**Dover School District**  
**Tuscarawas County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 1,743,743	\$ 1,682,880	\$ 1,656,656	\$ 1,503,231
Contributions in Relation to the Contractually Required Contribution	<u>(1,743,743)</u>	<u>(1,682,880)</u>	<u>(1,656,656)</u>	<u>(1,503,231)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 12,455,307	\$ 12,020,571	\$ 11,833,257	\$ 11,563,315
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 375,812	\$ 374,314	\$ 386,335	\$ 390,153
Contributions in Relation to the Contractually Required Contribution	<u>(375,812)</u>	<u>(374,314)</u>	<u>(386,335)</u>	<u>(390,153)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,684,371	\$ 2,673,671	\$ 2,931,222	\$ 2,814,957
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,586,640	\$ 1,495,297	\$ 1,459,744	\$ 1,363,184	\$ 1,315,219	\$ 1,450,068
<u>(1,586,640)</u>	<u>(1,495,297)</u>	<u>(1,459,744)</u>	<u>(1,363,184)</u>	<u>(1,315,219)</u>	<u>(1,450,068)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 12,204,923	\$ 11,502,285	\$ 11,228,800	\$ 10,486,031	\$ 10,117,069	\$ 11,154,369
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 425,483	\$ 367,418	\$ 319,004	\$ 363,942	\$ 248,984	\$ 354,366
<u>(425,483)</u>	<u>(367,418)</u>	<u>(319,004)</u>	<u>(363,942)</u>	<u>(248,984)</u>	<u>(354,366)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,074,299	\$ 2,731,732	\$ 2,537,820	\$ 2,687,903	\$ 2,530,325	\$ 3,608,615
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass-Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2016/2017	\$67,863
Cash Assistance:			
School Breakfast Program	10.553	2016/2017	110,953
National School Lunch Program	10.555	2016/2017	418,821
Cash Assistance Subtotal			<u>529,774</u>
Total Child Nutrition Cluster			<u>597,637</u>
Total U.S. Department of Agriculture			597,637
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	S010A150035 S010A160035	101,699 <u>328,037</u>
Total Title I Grants to Local Educational Agencies			429,736
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)			
	84.027	H027A150111 H027A160111	67,639 <u>505,121</u>
Total Special Education - Grants to States (IDEA, Part B)			572,760
Special Education - Preschool Grants (IDEA Preschool)			
	84.173	H173A150119 H173A160119	3,158 <u>6,241</u>
Total Special Education - Preschool Grants (IDEA Preschool)			<u>9,399</u>
Total Special Education Cluster			<u>582,159</u>
21st Century Community Learning Centers			
	84.287	2016 2017	3,920 <u>96,932</u>
Total 21st Century Community Learning Centers			100,852
English Language Acquisition State Grants			
	84.365	2016 S365A160035	86 <u>35,287</u>
Total English Language Acquisition State Grants			35,373
Supporting Effective Instruction State Grant			
	84.367	S367A150034 S367A160034	17,105 <u>52,021</u>
Total Supporting Effective Instruction State Grants			<u>69,126</u>
Total U.S. Department of Education			<u>1,217,246</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$1,814,883</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 29,039





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 30, 2018.

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

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

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

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

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

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 30, 2018



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Dover City School District's, Tuscarawas County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 30, 2018

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2017**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – CFDA #84.010</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	Yes

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

None

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

None

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# 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  
FEBRUARY 13, 2018