



OHIO AUDITOR OF STATE
KEITH FABER



**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
JUNE 30, 2021**

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TUSCARAWAS COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Dover City School District
Tuscarawas County
228 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, the 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, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 20, 2022

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Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

This 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, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the 2021 fiscal year are as follows:

- Net position increased from the prior fiscal year due to an increase in revenues, primarily the increase in operating grants resulting from the receipt of Elementary and Secondary School Emergency Relief (ESSER), Coronavirus Relief Fund, and Comprehensive Literacy State Development grants.
- The decrease in equity in pooled cash and cash equivalents was the result of the School District continuing to pay construction costs for the new high school project in fiscal year 2021.
- Capital assets increased during fiscal year 2021, as the School District completed construction on their Ohio Facilities Construction Commission (OFCC) project. Move-in for the new high school was in the fall of 2020.

Using this Financial Report

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-67 of this report.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains 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 2021?" The statement of net position and the statement of

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activities answer this question. These statements include *all non-fiduciary 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. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in the 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 restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services, which include food service operations and community services, extracurricular activities and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental fund begins on page 11. 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 fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds that focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the *modified accrual* accounting method that 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 a 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 health insurance benefits provided to employees. This fund uses the accrual basis of accounting.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

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Unaudited

The School District as a Whole

You may 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 fiscal year 2021 compared to 2020:

Table 1
Net Position

| | Governmental Activities | | |
|---|-------------------------|---------------------|--------------------|
| | 2021 | Restated 2020 | Change |
| Assets | | | |
| Current and Other Assets | \$29,306,799 | \$32,684,240 | (\$3,377,441) |
| Net OPEB Asset | 1,876,867 | 1,854,549 | 22,318 |
| Capital Assets, Net | 56,130,424 | 52,764,589 | 3,365,835 |
| <i>Total Assets</i> | <u>87,314,090</u> | <u>87,303,378</u> | <u>10,712</u> |
| Deferred Outflows of Resources | | | |
| Pension | 5,368,716 | 5,723,145 | (354,429) |
| OPEB | 688,329 | 544,401 | 143,928 |
| <i>Total Deferred Outflows of Resources</i> | <u>6,057,045</u> | <u>6,267,546</u> | <u>(210,501)</u> |
| Liabilities | | | |
| Current Liabilities | 4,416,408 | 5,996,381 | (1,579,973) |
| Long-Term Liabilities: | | | |
| Due Within One Year | 714,936 | 710,426 | 4,510 |
| Due in More Than One Year: | | | |
| Net Pension Liability | 30,927,685 | 29,446,630 | 1,481,055 |
| Net OPEB Liability | 1,738,623 | 2,016,786 | (278,163) |
| Other Amounts | 24,989,481 | 25,642,485 | (653,004) |
| <i>Total Liabilities</i> | <u>62,787,133</u> | <u>63,812,708</u> | <u>(1,025,575)</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 12,645,061 | 12,497,908 | 147,153 |
| Pension | 1,478,806 | 2,061,694 | (582,888) |
| OPEB | 3,227,938 | 2,973,080 | 254,858 |
| <i>Total Deferred Inflows of Resources</i> | <u>17,351,805</u> | <u>17,532,682</u> | <u>(180,877)</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 32,962,000 | 28,657,262 | 4,304,738 |
| Restricted | 2,256,005 | 6,190,213 | (3,934,208) |
| Unrestricted (Deficit) | (21,985,808) | (22,621,941) | 636,133 |
| <i>Total Net Position</i> | <u>\$13,232,197</u> | <u>\$12,225,534</u> | <u>\$1,006,663</u> |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this

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promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources, one can see the overall position of the School District has improved as evidenced by the increase in net position. The increase in net position was mainly due to the increase in revenue, which primarily resulted from additional grants received in fiscal year 2021.

Current and other assets decreased significantly during the fiscal year due primarily to a decrease in equity in pooled cash and cash equivalent. The decrease in equity in pooled cash and cash equivalents was primarily the result of paying construction costs of the new high school project, which was completed in the fall of 2020.

The large increase in capital assets was due primarily to the completed construction project for the new high school. Net investment in capital assets was \$32,962,000 at June 30, 2021. 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.

Deferred outflows of resources decreased due to the decrease in deferred outflows related to pension.

Despite the increase in the net pension liability, liabilities decreased from the prior fiscal year primarily due to significant decreases in contracts payable and retainage payable. These decreases were due to the completion of the new high school project during fiscal year 2021. Other amounts due in more than one year also decreased as the School District continued to make required debt payments.

Total deferred inflows of resources decreased from the prior fiscal year due to the decrease in deferred inflows related to pension.

Dover City School District
Management's Discussion and Analysis
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Table 2 shows the changes in net position for fiscal year 2021 compared to fiscal year 2020.

Table 2
Change in Net Position
Governmental Activities

| | 2021 | Restated 2020 | Change |
|--|---------------------|---------------------|--------------------|
| Revenues | | | |
| <i>Program Revenues</i> | | | |
| Charges for Services | \$1,563,757 | \$1,871,294 | (\$307,537) |
| Operating Grants, Contributions and Interest | 6,032,940 | 3,558,672 | 2,474,268 |
| Capital Grants, Contributions and Interest | 202,422 | 713,444 | (511,022) |
| <i>Total Program Revenues</i> | <u>7,799,119</u> | <u>6,143,410</u> | <u>1,655,709</u> |
| <i>General Revenues</i> | | | |
| Property Taxes | 15,284,199 | 15,176,482 | 107,717 |
| Grants and Entitlements | 9,549,967 | 9,496,963 | 53,004 |
| Unrestricted Contributions | 0 | 99,603 | (99,603) |
| Investment Earnings | 58,847 | 568,920 | (510,073) |
| Miscellaneous | 379,149 | 174,215 | 204,934 |
| <i>Total General Revenues</i> | <u>25,272,162</u> | <u>25,516,183</u> | <u>(244,021)</u> |
| <i>Total Revenues</i> | <u>33,071,281</u> | <u>31,659,593</u> | <u>1,411,688</u> |
| <i>Program Expenses</i> | | | |
| Instruction: | | | |
| Regular | 15,979,578 | 15,990,480 | (10,902) |
| Special | 3,443,704 | 3,691,685 | (247,981) |
| Vocational | 14,708 | 15,958 | (1,250) |
| Student Intervention Services | 538,282 | 381,702 | 156,580 |
| Support Services: | | | |
| Pupils | 2,281,193 | 958,056 | 1,323,137 |
| Instructional Staff | 573,678 | 669,655 | (95,977) |
| Board of Education | 82,912 | 115,351 | (32,439) |
| Administration | 2,323,432 | 2,360,076 | (36,644) |
| Fiscal | 707,876 | 750,800 | (42,924) |
| Operation and Maintenance of Plant | 2,185,983 | 2,488,880 | (302,897) |
| Pupil Transportation | 905,673 | 942,786 | (37,113) |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 921,252 | 921,530 | (278) |
| Community Services | 228,454 | 223,816 | 4,638 |
| Extracurricular Activities | 1,005,687 | 1,388,232 | (382,545) |
| Interest and Fiscal Charges | 872,206 | 889,075 | (16,869) |
| <i>Total Program Expenses</i> | <u>32,064,618</u> | <u>31,788,082</u> | <u>276,536</u> |
| Change in Net Position | 1,006,663 | (128,489) | 1,135,152 |
| Net Position Beginning of Year | <u>12,225,534</u> | <u>12,354,023</u> | <u>(128,489)</u> |
| Net Position End of Year | <u>\$13,232,197</u> | <u>\$12,225,534</u> | <u>\$1,006,663</u> |

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Several revenue sources fund governmental activities, with property taxes being the largest contributor. Property tax revenues increased from the prior fiscal year due increases in assessed values.

Grants and entitlements, with the majority coming from the School Foundation program, is the other significant revenue contributor. Grants and entitlements were fairly consistent with the prior fiscal year.

For fiscal year 2021, program revenues increased due to an increase in operating grants, contributions and interest. Increases in operating grants were mainly related to the receipt of Elementary and Secondary School Emergency Relief (ESSER), Coronavirus Relief Fund, and Comprehensive Literacy State Development grants.

Overall, program expenses marginally increased. The large increase in pupil support services was primarily related to ESSER grant expenses.

The statement of activities shows the cost of program services and the charges for services and grants, contributions and interest offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | Total Cost of Services 2021 | Net Cost of Services 2021 | Restated Total Cost of Services 2020 | Restated Net Cost of Services 2020 |
|---|-----------------------------------|---------------------------------|---|---|
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$15,979,578 | \$13,566,444 | \$15,990,480 | \$14,190,215 |
| Special | 3,443,704 | 1,813,970 | 3,691,685 | 1,985,122 |
| Vocational | 14,708 | (43,493) | 15,958 | (39,030) |
| Student Intervention Services | 538,282 | 112,898 | 381,702 | 207,174 |
| Support Services: | | | | |
| Pupils | 2,281,193 | 777,980 | 958,056 | 798,358 |
| Instructional Staff | 573,678 | 564,678 | 669,655 | 656,329 |
| Board of Education | 82,912 | 82,912 | 115,351 | 115,351 |
| Administration | 2,323,432 | 2,227,233 | 2,360,076 | 2,340,005 |
| Fiscal | 707,876 | 707,876 | 750,800 | 750,800 |
| Operation and Maintenance of Plant | 2,185,983 | 2,010,799 | 2,488,880 | 1,768,283 |
| Pupil Transportation | 905,673 | 859,389 | 942,786 | 934,493 |
| Operation of Non-Instructional Services | | | | |
| Food Service Operations | 921,252 | 76,933 | 921,530 | 97,061 |
| Community Services | 228,454 | 16,599 | 223,816 | 56,082 |
| Extracurricular Activities | 1,005,687 | 619,075 | 1,388,232 | 895,354 |
| Interest and Fiscal Charges | 872,206 | 872,206 | 889,075 | 889,075 |
| <i>Total</i> | <u>\$32,064,618</u> | <u>\$24,265,499</u> | <u>\$31,788,082</u> | <u>\$25,644,672</u> |

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The dependence upon general revenues for governmental activities is apparent; the majority of expenses are supported through property taxes, grants and entitlements, and other general revenues. The community, as a whole, is the primary support for the School District students.

The School District's Funds

Information about the School District's major fund starts on page 17. These funds are accounted for using the modified accrual basis of accounting. Despite a significant decrease in capital outlay expenditures, total governmental funds had a decrease in fund balance for fiscal year 2021 due to a decrease in revenues. The decrease in revenues was primarily related to a decrease in intergovernmental revenue mainly resulting from the drop in Ohio Facilities Construction Commission (OFCC) grant revenue with the completion of the new high school in the fall of fiscal year 2021. Interest revenue also decreased primarily due to lower interest rates.

Despite a small decrease in revenues, mainly due to the decrease in interest revenue, the general fund had an increase in fund balance for fiscal year 2021 due to the decrease in expenditures. The decrease in expenditures was primarily due to decreases in expenditures for instruction and instructional staff. The decrease in instruction expenditures was due to decreases in salaries and benefits expenditures as a result of retirements and resignations, as well as certain salaries and benefits being paid from CARES funding in other governmental funds. The decrease in instructional staff expenditures was due to a decrease in materials and supplies resulting from the purchase of a significant amount of computer equipment in the prior fiscal year.

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 2021, the School District amended its general fund budget a few times. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During the year, there was an amendment to increase original budgeted revenues for tuition and fees as better estimates became available. Final budgeted appropriations were lower than original budgeted appropriations, as actual expenditures for regular instruction were lower than initial estimates. Actual revenues and other financing sources were only a little higher than final budgeted revenues. Actual expenditures were a little lower than final budgeted expenditures primarily due to conservative spending.

Capital Assets and Debt Administration

Capital Assets

The increase in capital assets was primarily attributable to the completion of a new high school, as previously discussed. The School District also purchased a bus. The School District's capitalization threshold for capital assets was set at \$5,000. For additional information on capital assets, see Note 11 to the basic financial statements.

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Management's Discussion and Analysis
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Debt

During fiscal year 2021, outstanding debt decreased as the School District continued to make required payments.

The Classroom Facilities and School Improvement Bonds, Series 2017-1, were issued in March 2017 for new construction and building improvements throughout the School District. The bonds will be fully repaid in fiscal year 2047.

The Classroom Facilities and School Improvement Bonds, Series 2017-2, were issued in March 2017 for new construction and building improvements throughout the School District. The bonds will be fully repaid in fiscal year 2038.

During fiscal year 2016, the School District entered into a lease purchase agreement for a telephone system. The lease purchase was fully repaid in fiscal year 2021.

During fiscal year 2017, the School District entered into a capital lease agreement for copiers. The capital lease will be fully repaid in fiscal year 2022.

At June 30, 2021, the School District's overall legal debt margin was \$17,285,782, with an unvoted debt margin of \$436,855. The School District maintains a bond rating of A1. For more information on debt, refer to Notes 16 and 17 of the basic financial statements.

In addition to the long-term debt, the School District's long-term obligations include compensated absences, net pension liability, and net OPEB liability. Additional information for these items can be found in Notes 13, 14 and 17 to the basic financial statements.

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 years. The School District had an emergency operating levy on the ballot in May 2019 for an additional 6.9 mills in operating funds, which did not pass.

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 0.5 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 46 percent of revenues for governmental activities for the Dover City School District in fiscal year 2021.

Dover City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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 School 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 questions about this report or need additional financial information, contact Kathryn Brugger, Treasurer, at Dover City School District, 228 West Sixth Street, Dover, Ohio 44622 or email at bruggerk@dovertornadoes.com.

Basic Financial Statements

Dover City School District
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$9,041,724 |
| Cash and Cash Equivalents with Fiscal Agent | 4,222,909 |
| Investments in Segregated Accounts | 20,162 |
| Accounts Receivable | 1,182 |
| Intergovernmental Receivable | 640,853 |
| Property Taxes Receivable | 15,277,741 |
| Accrued Interest Receivable | 21,407 |
| Prepaid Items | 80,821 |
| Net OPEB Asset (See Note 14) | 1,876,867 |
| Nondepreciable Capital Assets | 2,575,489 |
| Depreciable Capital Assets, Net | 53,554,935 |
| <i>Total Assets</i> | 87,314,090 |
| Deferred Outflows of Resources | |
| Pension | 5,368,716 |
| OPEB | 688,329 |
| <i>Total Deferred Outflows of Resources</i> | 6,057,045 |
| Liabilities | |
| Accounts Payable | 140,986 |
| Accrued Wages and Benefits | 3,026,756 |
| Contracts Payable | 63,300 |
| Intergovernmental Payable | 615,675 |
| Retainage Payable | 10,000 |
| Matured Compensated Absences Payable | 135,801 |
| Accrued Interest Payable | 151,846 |
| Claims Payable | 242,163 |
| Unearned Revenue | 29,881 |
| Long-Term Liabilities: | |
| Due Within One Year | 714,936 |
| Due in More Than One Year: | |
| Net Pension Liability (See Note 13) | 30,927,685 |
| Net OPEB Liability (See Note 14) | 1,738,623 |
| Other Amounts Due in More Than One Year | 24,989,481 |
| <i>Total Liabilities</i> | 62,787,133 |
| Deferred Inflows of Resources | |
| Property Taxes | 12,645,061 |
| Pension | 1,478,806 |
| OPEB | 3,227,938 |
| <i>Total Deferred Inflows of Resources</i> | 17,351,805 |
| Net Position | |
| Net Investment in Capital Assets | 32,962,000 |
| Restricted for: | |
| Debt Service | 37,316 |
| Capital Outlay | 731,735 |
| Special Education | 213,142 |
| Classroom Facilities Maintenance | 353,465 |
| Extracurricular Activities | 434,435 |
| Scholarships | 56,960 |
| Scholarships: | |
| Expendable | 62,420 |
| Nonexpendable | 233,021 |
| Other Purposes | 133,511 |
| Unrestricted (Deficit) | (21,985,808) |
| <i>Total Net Position</i> | \$13,232,197 |

See accompanying notes to the basic financial statements

Dover City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

| | Expenses | Program Revenues | | Capital Grants, Contributions and Interest | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants, Contributions and Interest | | |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$15,979,578 | \$1,096,205 | \$1,316,929 | \$0 | (\$13,566,444) |
| Special | 3,443,704 | 77,496 | 1,552,238 | 0 | (1,813,970) |
| Vocational | 14,708 | 0 | 58,201 | 0 | 43,493 |
| Student Intervention Services | 538,282 | 0 | 425,384 | 0 | (112,898) |
| Support Services: | | | | | |
| Pupils | 2,281,193 | 0 | 1,503,213 | 0 | (777,980) |
| Instructional Staff | 573,678 | 0 | 9,000 | 0 | (564,678) |
| Board of Education | 82,912 | 0 | 0 | 0 | (82,912) |
| Administration | 2,323,432 | 0 | 96,199 | 0 | (2,227,233) |
| Fiscal | 707,876 | 0 | 0 | 0 | (707,876) |
| Operation and Maintenance of Plant | 2,185,983 | 0 | 18,441 | 156,743 | (2,010,799) |
| Pupil Transportation | 905,673 | 0 | 605 | 45,679 | (859,389) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 921,252 | 22,602 | 821,717 | 0 | (76,933) |
| Community Services | 228,454 | 0 | 211,855 | 0 | (16,599) |
| Extracurricular Activities | 1,005,687 | 367,454 | 19,158 | 0 | (619,075) |
| Interest and Fiscal Charges | 872,206 | 0 | 0 | 0 | (872,206) |
| <i>Total</i> | <u>\$32,064,618</u> | <u>\$1,563,757</u> | <u>\$6,032,940</u> | <u>\$202,422</u> | <u>(24,265,499)</u> |

General Revenues

| | |
|---|---------------------|
| Property Taxes Levied for: | |
| General Purposes | 13,445,601 |
| Debt Service | 1,522,860 |
| Capital Outlay | 231,673 |
| Classroom Facilities Maintenance | 84,065 |
| Grants and Entitlements not Restricted to Specific Programs | 9,549,967 |
| Investment Earnings | 58,847 |
| Miscellaneous | 379,149 |
| <i>Total General Revenues</i> | <u>25,272,162</u> |
| Change in Net Position | 1,006,663 |
| <i>Net Position Beginning of Year - Restated (See Note 3)</i> | <u>12,225,534</u> |
| <i>Net Position End of Year</i> | <u>\$13,232,197</u> |

See accompanying notes to the basic financial statements

Dover City School District

Balance Sheet

Governmental Funds

June 30, 2021

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,030,445 | \$2,983,133 | \$9,013,578 |
| Investments in Segregated Accounts | 0 | 20,162 | 20,162 |
| Accounts Receivable | 1,182 | 0 | 1,182 |
| Interfund Receivable | 258,423 | 0 | 258,423 |
| Intergovernmental Receivable | 45,834 | 595,019 | 640,853 |
| Accrued Interest Receivable | 21,407 | 0 | 21,407 |
| Property Taxes Receivable | 13,470,201 | 1,807,540 | 15,277,741 |
| Prepaid Items | 19,794 | 61,027 | 80,821 |
| <i>Total Assets</i> | <u>\$19,847,286</u> | <u>\$5,466,881</u> | <u>\$25,314,167</u> |
| Liabilities | | | |
| Accounts Payable | \$68,134 | \$72,852 | \$140,986 |
| Accrued Wages and Benefits | 2,664,809 | 361,947 | 3,026,756 |
| Contracts Payable | 0 | 63,300 | 63,300 |
| Intergovernmental Payable | 538,801 | 76,874 | 615,675 |
| Retainage Payable | 0 | 10,000 | 10,000 |
| Matured Compensated Absences Payable | 134,564 | 1,237 | 135,801 |
| Interfund Payable | 0 | 258,423 | 258,423 |
| <i>Total Liabilities</i> | <u>3,406,308</u> | <u>844,633</u> | <u>4,250,941</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 11,157,485 | 1,487,576 | 12,645,061 |
| Unavailable Revenue | 343,425 | 116,232 | 459,657 |
| <i>Total Deferred Inflows of Resources</i> | <u>11,500,910</u> | <u>1,603,808</u> | <u>13,104,718</u> |
| Fund Balances | | | |
| Nonspendable | 19,794 | 294,048 | 313,842 |
| Restricted | 0 | 2,835,916 | 2,835,916 |
| Assigned | 962,162 | 0 | 962,162 |
| Unassigned (Deficit) | 3,958,112 | (111,524) | 3,846,588 |
| <i>Total Fund Balances</i> | <u>4,940,068</u> | <u>3,018,440</u> | <u>7,958,508</u> |
| <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | <u>\$19,847,286</u> | <u>\$5,466,881</u> | <u>\$25,314,167</u> |

See accompanying notes to the basic financial statements

Dover City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2021*

| | | |
|--|---------------------|-------------------------|
| Total Governmental Funds Balances | | \$7,958,508 |
| <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. | | 56,130,424 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds: | | |
| Delinquent Property Taxes | 357,198 | |
| Intergovernmental Grants | 79,916 | |
| Tuition and Fees | 13,459 | |
| Miscellaneous | 9,084 | |
| Total | 459,657 | 459,657 |
| 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 the governmental activities in the statement of net position. | | 3,979,011 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due. | | (151,846) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (23,882,526) | |
| Capital Lease Payable | (19,004) | |
| Compensated Absences | (1,802,887) | |
| Total | (25,704,417) | (25,704,417) |
| The net OPEB asset and net pension/OPEB liabilities are not due and payable in the current period; therefore, the asset, liabilities and related deferred outflows/inflows are not reported in the funds: | | |
| Net OPEB Asset | 1,876,867 | |
| Deferred Outflows - Pension | 5,368,716 | |
| Deferred Outflows - OPEB | 688,329 | |
| Net Pension Liability | (30,927,685) | |
| Net OPEB Liability | (1,738,623) | |
| Deferred Inflows - Pension | (1,478,806) | |
| Deferred Inflows - OPEB | (3,227,938) | |
| Total | (29,439,140) | (29,439,140) |
| <i>Net Position of Governmental Activities</i> | | \$13,232,197 |

See accompanying notes to the basic financial statements

Dover City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

| | General | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property and Other Local Taxes | \$13,331,979 | \$1,825,573 | \$15,157,552 |
| Intergovernmental | 10,476,497 | 5,920,661 | 16,397,158 |
| Interest | 16,331 | 1,463 | 17,794 |
| Tuition and Fees | 1,158,676 | 0 | 1,158,676 |
| Extracurricular Activities | 122,991 | 265,154 | 388,145 |
| Charges for Services | 0 | 22,602 | 22,602 |
| Contributions and Donations | 62,088 | 105,969 | 168,057 |
| Miscellaneous | 328,717 | 62,012 | 390,729 |
| <i>Total Revenues</i> | <u>25,497,279</u> | <u>8,203,434</u> | <u>33,700,713</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 13,576,707 | 1,265,563 | 14,842,270 |
| Special | 2,656,743 | 673,052 | 3,329,795 |
| Vocational | 12,272 | 2,436 | 14,708 |
| Student Intervention Services | 115,759 | 425,171 | 540,930 |
| Support Services: | | | |
| Pupils | 658,782 | 1,527,300 | 2,186,082 |
| Instructional Staff | 540,676 | 9,000 | 549,676 |
| Board of Education | 82,912 | 0 | 82,912 |
| Administration | 2,167,391 | 99,954 | 2,267,345 |
| Fiscal | 694,364 | 31,388 | 725,752 |
| Operation and Maintenance of Plant | 2,150,073 | 312,422 | 2,462,495 |
| Pupil Transportation | 797,029 | 84,096 | 881,125 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 0 | 898,801 | 898,801 |
| Community Services | 0 | 218,710 | 218,710 |
| Extracurricular Activities | 724,470 | 135,713 | 860,183 |
| Capital Outlay | 0 | 3,809,017 | 3,809,017 |
| Debt Service: | | | |
| Principal Retirement | 34,029 | 520,000 | 554,029 |
| Interest and Fiscal Charges | 3,872 | 916,275 | 920,147 |
| <i>Total Expenditures</i> | <u>24,215,079</u> | <u>10,928,898</u> | <u>35,143,977</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>1,282,200</u> | <u>(2,725,464)</u> | <u>(1,443,264)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 9,308 | 0 | 9,308 |
| Transfers Out | 0 | (9,308) | (9,308) |
| <i>Total Other Financing Sources (Uses)</i> | <u>9,308</u> | <u>(9,308)</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 1,291,508 | (2,734,772) | (1,443,264) |
| <i>Fund Balances Beginning of Year - Restated (See Note 3)</i> | <u>3,648,560</u> | <u>5,753,212</u> | <u>9,401,772</u> |
| <i>Fund Balances End of Year</i> | <u>\$4,940,068</u> | <u>\$3,018,440</u> | <u>\$7,958,508</u> |

See accompanying notes to the basic financial statements

Dover City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021*

Net Change in Fund Balances - Total Governmental Funds (\$1,443,264)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

| | | |
|----------------|-------------|-----------|
| Capital Outlay | 4,614,808 | |
| Depreciation | (1,248,973) | |
| Total | 3,365,835 | 3,365,835 |

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

| | | |
|-------------------|-----------|-----------|
| Property Taxes | 126,647 | |
| Intergovernmental | (780,934) | |
| Tuition and Fees | (5,666) | |
| Miscellaneous | (11,580) | |
| Total | (671,533) | (671,533) |

The change in net position of the internal service fund is reported with governmental activities in the statement of activities. 168,443

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

| | | |
|--------------------------------|---------|--------|
| Accrued Interest | 1,733 | |
| Amortization of Bonds Premium | 50,669 | |
| Amortization of Bonds Discount | (4,461) | |
| Total | 47,941 | 47,941 |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 554,029

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 48,257

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows:

| | | |
|---------|-----------|-----------|
| Pension | 2,205,947 | |
| OPEB | 51,245 | |
| Total | 2,257,192 | 2,257,192 |

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB asset or liability are reported as pension/OPEB expense in the statement of activities:

| | | |
|---------|-------------|-------------|
| Pension | (3,458,543) | |
| OPEB | 138,306 | |
| Total | (3,320,237) | (3,320,237) |

Change in Net Position of Governmental Activities \$1,006,663

See accompanying notes to the basic financial statements

Dover City School District
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues and Other Financing Sources | \$23,366,255 | \$25,414,052 | \$25,422,504 | \$8,452 |
| Expenditures | <u>25,842,075</u> | <u>24,340,802</u> | <u>24,244,351</u> | <u>96,451</u> |
| <i>Net Change in Fund Balance</i> | (2,475,820) | 1,073,250 | 1,178,153 | 104,903 |
| <i>Fund Balance Beginning of Year</i> | 3,724,465 | 3,724,465 | 3,724,465 | 0 |
| Prior Year Encumbrances Appropriated | <u>789,140</u> | <u>789,140</u> | <u>789,140</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$2,037,785</u> | <u>\$5,586,855</u> | <u>\$5,691,758</u> | <u>\$104,903</u> |

See accompanying notes to the basic financial statements

Dover City School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

| | Governmental Activities - Internal Service Fund |
|---|--|
| Assets | |
| <i>Current Assets:</i> | |
| Equity in Pooled Cash and Cash Equivalents | \$28,146 |
| Cash and Cash Equivalents with Fiscal Agent | 4,222,909 |
| | <hr/> |
| <i>Total Assets</i> | 4,251,055 |
| | <hr/> |
| Liabilities | |
| <i>Current Liabilities:</i> | |
| Claims Payable | 242,163 |
| Unearned Revenue | 29,881 |
| | <hr/> |
| <i>Total Liabilities</i> | 272,044 |
| | <hr/> |
| Net Position | |
| Unrestricted | \$3,979,011 |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements

Dover City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021*

| | Governmental Activities - Internal Service Fund |
|---------------------------------------|--|
| Operating Revenues | |
| Charges for Services | \$3,949,498 |
| Operating Expenses | |
| Purchased Services | 933,163 |
| Claims | 2,889,993 |
| <i>Total Operating Expenses</i> | 3,823,156 |
| <i>Operating Income</i> | 126,342 |
| Non-Operating Revenues | |
| Interest | 42,101 |
| <i>Change in Net Position</i> | 168,443 |
| <i>Net Position Beginning of Year</i> | 3,810,568 |
| <i>Net Position End of Year</i> | \$3,979,011 |

See accompanying notes to the basic financial statements

Dover City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

| | <u>Governmental Activities - Internal Service Fund</u> |
|---|--|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Transactions with Other Funds | \$3,578,294 |
| Cash Payments for Goods and Services | (933,163) |
| Cash Payments for Claims | <u>(2,965,973)</u> |
| <i>Net Cash Used for Operating Activities</i> | (320,842) |
| Cash Flows from Investing Activities | |
| Interest on Investments | <u>42,101</u> |
| <i>Net Decrease in Cash and Cash Equivalents</i> | (278,741) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>4,529,796</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$4,251,055</u></u> |
| Reconciliation of Operating Income to Net Cash Used for Operating Activities | |
| Operating Income | <u>\$126,342</u> |
| Adjustments: | |
| Decrease in Liabilities: | |
| Claims Payable | (75,980) |
| Unearned Revenue | <u>(371,204)</u> |
| <i>Total Adjustments</i> | <u>(447,184)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u><u>(\$320,842)</u></u> |

See accompanying notes to the basic financial statements

Dover City School District
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2021

| | |
|--|------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$33,925 |
| Liabilities | |
| Intergovernmental Payable | <u>2,000</u> |
| Net Position | |
| Restricted for Individuals | <u><u>\$31,925</u></u> |

See accompanying notes to the basic financial statements

Dover City School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2021

| | |
|---|------------------------|
| Additions | |
| Amounts Received for Others | \$6,360 |
| Deductions | |
| Distributions on Behalf of Individuals | <u>5,000</u> |
| <i>Change in Net Position</i> | 1,360 |
| <i>Net Position Beginning of Year - Restated (See Note 3)</i> | <u>30,565</u> |
| <i>Net Position End of Year</i> | <u><u>\$31,925</u></u> |

See accompanying notes to the basic financial statements

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 – Description of the School District and Reporting 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 School District is located in Tuscarawas County and encompasses the City of Dover and portions of surrounding townships. The School District currently operates three elementary schools (grade-leveled), one middle school (6-8) and one high school (9-12), which are staffed by 180 certificated full-time-equivalent teaching personnel, 90 full-time-equivalent classified employees, and 14 administrative employees who provide services to 2,536 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the basic financial statements 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 the agencies and departments that provide the following services: general operations, food service, community services, preschool, and student related activities of the School District.

Nonpublic Schools Within the School District boundaries, St. Joseph Elementary Parochial School is operated through the Columbus Catholic Diocese. Current State legislation provides funding to this nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic school. These transactions are reported in a special revenue fund and as a governmental activity 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 deficits of, or provide 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District. The School District does not have any component units.

The School District participates in the three jointly governed organizations, the Ohio Mid-Eastern Regional Educational Service Agency, Buckeye Joint Vocational School District, and Tuscarawas County Tax Incentive Review Council, and in two insurance purchasing pools, the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Jefferson Health Plan. The Dover Public Library is a related organization of the School District. Additional information about these organizations is presented in Notes 19, 20 and 21 to the basic financial statements.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

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 eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 limited exceptions. 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal 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 three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The general fund is the School District's only major governmental fund.

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

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed, or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. 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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's only fiduciary fund is a custodial fund. The custodial fund is used to account for assets held by the School District for the benefit of individuals.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. 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, current assets and deferred outflows of resources and 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

For proprietary funds, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

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 the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows 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 fiscal year end.

Nonexchange 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 8). 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 nonexchange 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, grants, interest, tuition and student fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

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 until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension and OPEB plans. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

statement of net position and the 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 includes delinquent property taxes, intergovernmental grants, tuition and fees, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 13 and 14).

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled except for certain investments for the private purpose trust funds. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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.

During fiscal year 2021, investments were limited to STAR Ohio, an annuity, a money market account, negotiable certificates of deposit, commercial paper, and U.S. Treasury notes. Except for STAR Ohio and the annuity, investments are reported at fair value.

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 its 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 fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 2021 amounted to \$16,331, which includes \$4,490 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

All capital assets of the School District are classified as 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition 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 asset or materially extend an asset's life are not capitalized.

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:

| Description | Governmental Activities Estimated Lives |
|-------------------------------------|---|
| Land Improvements | 10-50 years |
| Buildings and Building Improvements | 10-50 years |
| Furniture and Equipment | 5-20 years |
| Vehicles | 10 years |

Interfund Balances

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

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.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is 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 financial statements, compensated absences are recognized as liabilities and expenditures 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 fund or funds from which the employees who have accumulated the leave will be paid.

Unearned Revenue

Unearned revenue reported on the statement of net position and the statement of fund net position for the internal service funds represents early payments received for insurance funding for July 2021.

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, lease purchase, and capital lease payable are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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 since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable, and bond discounts are presented as a decrease.

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

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education also assigned fund balance to cover a gap between estimated revenues and appropriations in the fiscal year 2022 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.

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes community involvement, food service, instructional programs, school safety, and student wellness and success.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Interfund Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the government-wide statements. Interfund payments for services provided and used are not eliminated.

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/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

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

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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. 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 represent the final appropriation amounts passed by the Board during the fiscal year.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 3 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position

Changes in Accounting Principles

For fiscal year 2021, the School District implemented GASB Statement No. 84, *Fiduciary Activities*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its fiduciary funds and one fund will be reported in the new fiduciary fund classification of custodial fund while the other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District’s financial statements.

For fiscal year 2021, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the School District’s 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------|--------------------------------|--------------------------------|
| Fund Balances at June 30, 2020 | \$3,648,560 | \$5,264,502 | \$8,913,062 |
| Adjustment: | | | |
| GASB 84 | 0 | 488,710 | 488,710 |
| Restated Fund Balances at June 30, 2020 | \$3,648,560 | \$5,753,212 | \$9,401,772 |

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

| | Governmental Activities |
|--|----------------------------|
| Net Position at June 30, 2020 | \$11,736,824 |
| Adjustment: | |
| GASB 84 | 488,710 |
| Restated Net Position at June 30, 2020 | \$12,225,534 |

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of June 30, 2020:

| | Fiduciary Funds | | |
|--|--------------------------|-----------|-----------|
| | Private Purpose Trust | Agency | Custodial |
| Net Position at June 30, 2020 | \$385,947 | \$0 | \$0 |
| Adjustments: | | | |
| Assets | (385,947) | (133,328) | 30,565 |
| Liabilities | 0 | (133,328) | 0 |
| Restated Net Position at June 30, 2020 | \$0 | \$0 | \$30,565 |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 4 – Budgetary Basis of Accounting

While the School District is reporting its 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 a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Unrecorded cash represents amounts received but not reported by the School District on the operating statement (budget basis), but which is reported on the GAAP basis operating statement.
3. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
5. Budgetary revenues and expenditures of the uniform school supplies and public school support funds are reclassified to the general fund for GAAP reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

| Net Change in Fund Balance | |
|---|-------------|
| GAAP Basis | \$1,291,508 |
| Net Adjustment for Revenue Accruals | 21,983 |
| Beginning Unrecorded Cash | 10,093 |
| Beginning Fair Value Adjustment for Investments | 199,058 |
| Ending Fair Value Adjustment for Investments | (118,456) |
| Net Adjustment for Expenditure Accruals | 18,541 |
| Perspective Differences: | |
| Uniform School Supplies | (39,109) |
| Public School Support | (9,532) |
| Encumbrances | (195,933) |
| Budget Basis | \$1,178,153 |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 5 – Compliance and Accountability

Compliance

The School District had negative cash balances at June 30, 2021, in the following funds:

| | Amount |
|--|---------|
| <i>Special Revenue:</i> | |
| Elementary and Secondary School Emergency Relief | \$7,295 |
| 21st Century Grant | 33,864 |
| Title VI-B | 19,260 |
| Title III | 2,676 |
| Title I | 13,166 |
| Preschool Grant | 580 |
| Improving Teacher Quality | 2,935 |
| Miscellaneous Federal Grants | 18,286 |

The negative cash balances indicate that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10. The cash deficits were the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2022. Although the cash deficits were not corrected by fiscal year end, management has indicated that cash will be closely monitored to prevent future violations.

Accountability

Fund balances at June 30, 2021, included individual fund deficits in the following funds:

| | Deficit |
|------------------------------|---------|
| <i>Special Revenue:</i> | |
| 21st Century Grant | \$60 |
| Title VI-B | 47,774 |
| Title III | 6,092 |
| Title I | 28,073 |
| Preschool Grant | 1,201 |
| Improving Teacher Quality | 4,710 |
| Miscellaneous Federal Grants | 7,055 |

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Inactive deposits are public deposits that the Board 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 monies 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 previously, provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate 5 percent of interim moneys available for investment at the time of purchase.

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.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

Cash with 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 \$4,222,909. 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.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2021, \$96,284 of the School District's total bank balance of \$4,455,229 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Two of the School District's financial institutions participate in the Ohio Pooled Collateral System (OPCS), and one was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2021, the School District had the following investments:

| Measurement/Investment | Measurement Amount | Maturity (in Years) | | | Standard & Poor's Rating | Percent of Total Investments |
|------------------------------------|-----------------------|---------------------|--------------------|------------------|--------------------------------|------------------------------------|
| | | Less than 1 | 1-3 | 3-5 | | |
| Net Asset Value Per Share: | | | | | | |
| STAR Ohio | \$67,901 | \$67,901 | \$0 | \$0 | AAAm | 1.46 % |
| Annuity | 20,162 | 20,162 | 0 | 0 | N/A | 0.43 |
| Fair Value - Level 1 Inputs: | | | | | | |
| Money Market Account | 16,109 | 16,109 | 0 | 0 | AAAm | 0.35 |
| Fair Value - Level 2 Inputs: | | | | | | |
| Negotiable Certificates of Deposit | 3,318,140 | 1,501,723 | 1,295,785 | 520,632 | N/A | 71.40 |
| Commercial Paper | 874,686 | 874,686 | 0 | 0 | A-1 | 18.82 |
| U.S. Treasury Notes | 350,064 | 250,224 | 99,840 | 0 | AA+ | 7.53 |
| Total Investments | \$4,647,062 | \$2,730,805 | \$1,395,625 | \$520,632 | | 100.00 % |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 preceding table identifies the School District's recurring fair value measurements as of June 30, 2021. The School District's investment in the money market account is measured at fair value based on quoted market prices (level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (level 2 inputs).

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk The School District's investments are rated as shown in the preceding table. The School District does not have an investment policy that addresses credit risk. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54.4 days.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

Note 7 – Receivables

Receivables at June 30, 2021, consisted of taxes, interfund, accrued interest, accounts (miscellaneous) 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 receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| Governmental Activities | Amounts |
|---|-----------|
| Elementary and Secondary School Emergency Relief Funding | \$196,047 |
| IDEA-B Special Education Grant | 108,085 |
| Food Service Grants and Reimbursements | 100,732 |
| Title I-A Improving Basic Programs Grant | 68,151 |
| Comprehensive Literacy State Development Subgrant | 47,889 |
| 21st Century Grant | 34,709 |
| Title II-A Supporting Effective Instruction Grant | 12,246 |
| Refund of Property Taxes | 10,773 |
| Medicaid | 10,248 |
| School Employees Retirement System Refund | 9,084 |
| Regular Tuition | 8,884 |
| Title III Language Instruction for English Learners Grant | 8,865 |

(continued)

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

| Governmental Activities (continued) | Amounts |
|--|------------------|
| Educational Service Center Reimbursement | \$5,573 |
| Title IV-A Student Support and Academic Enrichment Grant | 4,832 |
| Special Education Tuition | 4,575 |
| Community School FTE Review Foundation Adjustment | 3,800 |
| IDEA Early Childhood Special Education Grant | 2,898 |
| City Fuel Usage Reimbursement | 2,820 |
| Student Teaching Host Payment | 325 |
| Title III Immigrant Grant | 317 |
| Total | <u>\$640,853</u> |

Note 8 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District’s 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’s parameters. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected in calendar year 2021 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and delinquent tangible personal property taxes which are measurable as of June 30, 2021, 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 to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2021, was \$1,995,634 in the general fund, \$27,663 in the classroom facilities special revenue fund, \$232,267 in the bond retirement debt service fund, and \$19,918 in the permanent improvement capital projects fund. By comparison, the amount available as an advance at June 30, 2020, was \$2,022,234 in the general fund, \$25,532 in the classroom facilities special revenue fund, \$225,166 in the bond retirement debt service fund, and \$18,565 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

The assessed values upon which the fiscal year 2021 taxes were collected are as follows:

| | 2020 Second Half Collections | | 2021 First Half Collections | |
|---|---------------------------------|-----------------|--------------------------------|-----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$415,565,700 | 97.37 % | \$424,477,030 | 97.17 % |
| Public Utility Personal Property | 11,219,770 | 2.63 | 12,378,360 | 2.83 |
| Total | \$426,785,470 | 100.00 % | \$436,855,390 | 100.00 % |
| Tax rate per \$1,000 of assessed valuation | \$59.47 | | \$59.07 | |

The tax rate decreased due to an increase in property tax values in the School District during fiscal year 2021. The increase in property tax values caused the tax rate to decrease so that the emergency and bond levies would meet their collection amounts.

Tax Abatements

The School District’s property taxes were reduced as follows under enterprise zone tax exemption agreements entered into by overlapping governments:

| Overlapping Government | Amount of Fiscal Year 2021 Taxes Abated |
|------------------------|--|
| City of Dover | \$98,312 |
| Franklin Township | 1,035 |
| Total | \$99,347 |

Note 9 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2021, consisted of the following:

| Interfund Payable | Interfund Receivable |
|--|-------------------------|
| | General |
| <i>Other Governmental Funds:</i> | |
| Athletics | \$2,400 |
| Elementary and Secondary School Emergency Relief | 165,256 |
| 21st Century Grant | 33,864 |
| Title VI-B | 19,260 |
| Title III | 2,676 |
| Title I | 13,166 |
| Preschool Grant | 580 |
| Improving Teacher Quality | 2,935 |
| Miscellaneous Federal Grants | 18,286 |
| Total | \$258,423 |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Interfund receivables and payables are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. All interfund payables outstanding are anticipated to be repaid within one year.

Interfund Transfers

During fiscal year 2021, other governmental funds transferred \$9,308 to the general fund in order to close out old student activity funds.

Note 10 – Fund Balances

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

| Fund Balances | General | Other Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------------|--------------------------------|--------------------------------|
| <u>Nonspendable:</u> | | | |
| Prepays | \$19,794 | \$61,027 | \$80,821 |
| Scholarship Endowment | 0 | 233,021 | 233,021 |
| <i>Total Nonspendable</i> | <u>19,794</u> | <u>294,048</u> | <u>313,842</u> |
| <u>Restricted for:</u> | | | |
| Debt Service | 0 | 1,003,797 | 1,003,797 |
| Capital Outlay | 0 | 614,199 | 614,199 |
| Special Education | 0 | 213,142 | 213,142 |
| Classroom Facilities Maintenance | 0 | 349,356 | 349,356 |
| Extracurricular Activities | 0 | 434,435 | 434,435 |
| Scholarships | 0 | 119,380 | 119,380 |
| <u>Other Purposes:</u> | | | |
| Community Involvement | 0 | 2,381 | 2,381 |
| Food Service Operations | 0 | 33,463 | 33,463 |
| Instructional Programs | 0 | 22,855 | 22,855 |
| School Safety | 0 | 12,177 | 12,177 |
| Student Wellness and Success | 0 | 30,731 | 30,731 |
| <i>Total Restricted</i> | <u>0</u> | <u>2,835,916</u> | <u>2,835,916</u> |
| <u>Assigned to:</u> | | | |
| <u>Purchases on Order:</u> | | | |
| Instructional Services | 103,702 | 0 | 103,702 |
| Support Services | 63,644 | 0 | 63,644 |
| Extracurricular Activities | 3,333 | 0 | 3,333 |
| Fiscal Year 2022 Operations | 791,483 | 0 | 791,483 |
| <i>Total Assigned</i> | <u>962,162</u> | <u>0</u> | <u>962,162</u> |
| Unassigned (Deficit) | 3,958,112 | (111,524) | 3,846,588 |
| Total Fund Balances | <u><u>\$4,940,068</u></u> | <u><u>\$3,018,440</u></u> | <u><u>\$7,958,508</u></u> |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

| | Balance 6/30/20 | Additions | Reductions | Balance 6/30/21 |
|--|---------------------|----------------------|-----------------------|---------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$2,575,489 | \$0 | \$0 | \$2,575,489 |
| Construction in Progress | 43,586,420 | 2,254,031 | (45,840,451) | 0 |
| <i>Total Capital Assets, not being depreciated</i> | <u>46,161,909</u> | <u>2,254,031</u> | <u>(45,840,451)</u> | <u>2,575,489</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 2,144,432 | 348,043 | 0 | 2,492,475 |
| Buildings and Building Improvements | 14,147,111 | 46,012,115 | 0 | 60,159,226 |
| Furniture and Equipment | 2,928,690 | 1,757,556 | 0 | 4,686,246 |
| Vehicles | 1,505,376 | 83,514 | 0 | 1,588,890 |
| <i>Total Capital Assets, being depreciated</i> | <u>20,725,609</u> | <u>48,201,228</u> | <u>0</u> | <u>68,926,837</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Land Improvements | (1,154,354) | (114,665) | 0 | (1,269,019) |
| Buildings and Building Improvements | (10,304,140) | (862,169) | 0 | (11,166,309) |
| Furniture and Equipment | (1,677,757) | (193,156) | 0 | (1,870,913) |
| Vehicles | (986,678) | (78,983) | 0 | (1,065,661) |
| <i>Total Accumulated Depreciation</i> | <u>(14,122,929)</u> | <u>(1,248,973) *</u> | <u>0</u> | <u>(15,371,902)</u> |
| Total Capital Assets being depreciated, net | <u>6,602,680</u> | <u>46,952,255</u> | <u>0</u> | <u>53,554,935</u> |
| Governmental Activities Capital Assets, net | <u>\$52,764,589</u> | <u>\$49,206,286</u> | <u>(\$45,840,451)</u> | <u>\$56,130,424</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|--|--------------------|
| Instruction: | |
| Regular | \$738,851 |
| Special | 52,192 |
| Support Services: | |
| Pupils | 16,616 |
| Instructional Staff | 32,492 |
| Administration | 26,896 |
| Fiscal | 1,294 |
| Operation and Maintenance of Plant | 53,073 |
| Pupil Transportation | 119,306 |
| Operation of Non-Instructional Services: | |
| Food Service Operations | 35,089 |
| Community Services | 1,771 |
| Extracurricular Activities | 171,393 |
| Total Depreciation Expense | <u>\$1,248,973</u> |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 12 – Risk Management

Property and Liability 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 \$250 per incident on equipment. The School District’s comprehensive property policy aggregate limit is approximately \$106,871,947. The School District’s vehicle insurance policy limit is \$1,000,000 with a \$250 comprehensive deductible and a \$500 collision deductible. All Board of Education members, administrators, and employees are covered under a School District liability policy. The School District’s liability insurance limits of coverage are \$2,000,000 per occurrence and \$4,000,000 in aggregate. Settled claims have not exceeded this coverage in any of the past three years. There was no significant reduction in insurance coverage from the prior year.

Workers’ Compensation

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 20). 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP 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 participants that can meet the GRP’s selection criteria. The firm of Comp Management, A Sedgwick CMS Company, provides administrative, cost control and actuarial services to the GRP.

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 (see Note 20), 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 \$242,163 reported in the internal service fund at June 30, 2021, 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 2020 and 2021 were as follows:

| Fiscal Year | Balance Beginning of Year | Current Year Claims | Claims Payments | Balance End of Year |
|----------------|---------------------------------|------------------------|--------------------|---------------------------|
| 2020 | \$249,525 | \$2,823,952 | \$2,755,334 | \$318,143 |
| 2021 | 318,143 | 2,889,993 | 2,965,973 | 242,163 |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 13 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

The 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/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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, 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

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|--|--|
| Full Benefits | Age 65 with 5 years of service credit; or 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 years of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost of living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$377,883 for fiscal year 2021. Of this amount \$39,622 is reported as an intergovernmental payable.

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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

Dover City School District
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For the Fiscal Year Ended June 30, 2021

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account, 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 at age 50 and after termination of employment.

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

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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

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For the Fiscal Year Ended June 30, 2021

The School District's contractually required contribution to STRS was \$1,828,064 for fiscal year 2021. Of this amount \$316,347 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|--|---------------------|---------------------|--------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.07692260% | 0.10679199% | |
| Prior Measurement Date | 0.07829240% | 0.11197346% | |
| Change in Proportionate Share | <u>-0.00136980%</u> | <u>-0.00518147%</u> | |
| Proportionate Share of the Net Pension Liability | \$5,087,823 | \$25,839,862 | \$30,927,685 |
| Pension Expense | \$412,067 | \$3,046,476 | \$3,458,543 |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$9,883 | \$57,978 | \$67,861 |
| Changes of assumptions | 0 | 1,387,102 | 1,387,102 |
| Net difference between projected and actual earnings on pension plan investments | 322,974 | 1,256,595 | 1,579,569 |
| Changes in proportionate share and difference between School District contributions and proportionate share of contributions | 0 | 128,237 | 128,237 |
| School District contributions subsequent to the measurement date | 377,883 | 1,828,064 | 2,205,947 |
| Total Deferred Outflows of Resources | <u>\$710,740</u> | <u>\$4,657,976</u> | <u>\$5,368,716</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$165,228 | \$165,228 |
| Changes in proportionate share and difference between School District contributions and proportionate share of contributions | 108,996 | 1,204,582 | 1,313,578 |
| Total Deferred Inflows of Resources | <u>\$108,996</u> | <u>\$1,369,810</u> | <u>\$1,478,806</u> |

Dover City School District
Notes to the Basic Financial Statements
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\$2,205,947 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|-----------------------------|------------|-------------|-------------|
| Fiscal Year Ending June 30: | | | |
| 2022 | (\$90,866) | \$556,998 | \$466,132 |
| 2023 | 78,985 | 157,508 | 236,493 |
| 2024 | 134,622 | 398,014 | 532,636 |
| 2025 | 101,120 | 347,582 | 448,702 |
| Total | \$223,861 | \$1,460,102 | \$1,683,963 |

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.

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, 2020, are presented as follows:

| | |
|--|---|
| Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.5 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 were based on 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.

Dover City School District
Notes to the Basic Financial Statements
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The most recent experience study was completed for the five year period ended June 30, 2015.

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 rebalanced uncorrelated asset classes.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|-------------------|--|
| Cash | 2.00 % | 1.85 % |
| US Stocks | 22.50 | 5.75 |
| Non-US Stocks | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| Total | <u>100.00 %</u> | |

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 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 (6.50 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 | \$6,969,696 | \$5,087,823 | \$3,508,895 |

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, are presented as follows:

| | |
|-----------------------------------|--|
| Inflation | 2.50 percent |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Discount Rate of Return | 7.45 percent |
| Payroll Increases | 3 percent |
| Cost of Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017 |

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

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

Dover City School District
Notes to the Basic Financial Statements
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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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 calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$36,791,465 | \$25,839,862 | \$16,559,291 |

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

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

Dover City School District
Notes to the Basic Financial Statements
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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. 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 2021, the School District’s surcharge obligation was \$51,245.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$51,245 for fiscal year 2021, which is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy – The Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | SERS | STRS | Total |
|---|--------------|---------------|---------------|
| Proportion of the Net OPEB Liability/Asset: | | | |
| Current Measurement Date | 0.07999820% | 0.10679199% | |
| Prior Measurement Date | 0.08019700% | 0.11197346% | |
| Change in Proportionate Share | -0.00019880% | -0.00518147% | |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$1,738,623 | \$0 | \$1,738,623 |
| Net OPEB (Asset) | \$0 | (\$1,876,867) | (\$1,876,867) |
| OPEB Expense | (\$28,380) | (\$109,926) | (\$138,306) |

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At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|--|--------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$22,835 | \$120,261 | \$143,096 |
| Changes of assumptions | 296,375 | 30,982 | 327,357 |
| Net difference between projected and actual earnings on OPEB plan investments | 19,590 | 65,776 | 85,366 |
| Changes in proportionate share and difference between School District contributions and proportionate share of contributions | 40,126 | 41,139 | 81,265 |
| School District contributions subsequent to the measurement date | 51,245 | 0 | 51,245 |
| Total Deferred Outflows of Resources | \$430,171 | \$258,158 | \$688,329 |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$884,211 | \$373,845 | \$1,258,056 |
| Changes of assumptions | 43,792 | 1,782,709 | 1,826,501 |
| Changes in proportionate share and difference between School District contributions and proportionate share of contributions | 109,437 | 33,944 | 143,381 |
| Total Deferred Inflows of Resources | \$1,037,440 | \$2,190,498 | \$3,227,938 |

\$51,245 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|-----------------------------|--------------------|----------------------|----------------------|
| Fiscal Year Ending June 30: | | | |
| 2022 | (\$130,649) | (\$482,994) | (\$613,643) |
| 2023 | (129,231) | (438,471) | (567,702) |
| 2024 | (129,461) | (422,854) | (552,315) |
| 2025 | (134,524) | (407,426) | (541,950) |
| 2026 | (101,741) | (88,690) | (190,431) |
| Thereafter | (32,908) | (91,905) | (124,813) |
| Total | (\$658,514) | (\$1,932,340) | (\$2,590,854) |

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented as follows:

| | |
|---|---|
| Inflation | 3.00 percent |
| Wage Increases | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 2.45 percent |
| Prior Measurement Date | 3.13 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation: | |
| Measurement Date | 2.63 percent |
| Prior Measurement Date | 3.22 percent |
| Medical Trend Assumption: | |
| Medicare | 5.25 to 4.75 percent |
| Pre-Medicare | 7.00 to 4.75 percent |

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability for SERS and what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

| | 1% Decrease (1.63%) | Current Discount Rate (2.63%) | 1% Increase (3.63%) |
|--|--|--|--|
| School District's proportionate share of the net OPEB liability | \$2,128,031 | \$1,738,623 | \$1,429,044 |
| | | | |
| | 1% Decrease (6.00 % decreasing to 3.75%) | Current Trend Rate (7.00 % decreasing to 4.75%) | 1% Increase (8.00 % decreasing to 5.75%) |
| School District's proportionate share of the net OPEB liability | \$1,369,033 | \$1,738,623 | \$2,232,859 |

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented as follows:

| | |
|----------------------------|--|
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent |
| Discount Rate of Return | 7.45 percent |
| Health Care Cost Trends: | |
| Medical: | |
| Pre-Medicare | 5.00 percent initial, 4 percent ultimate |
| Medicare | -6.69 percent initial, 4 percent ultimate |
| Prescription Drug: | |
| Pre-Medicare | 6.50 percent initial, 4 percent ultimate |
| Medicare | 11.87 percent initial, 4 percent ultimate |

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB asset | \$1,632,997 | \$1,876,867 | \$2,083,783 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| School District's proportionate share of the net OPEB asset | \$2,070,939 | \$1,876,867 | \$1,640,460 |

Note 15 – Other Employee Benefits

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 221 days for teachers, or the number of contracted days plus three 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.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to employees through UnumProvident. Coverage is provided for all certified and classified employees in the amount of \$23,000, and prorated based on hours worked when less than 32 hours.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 16 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2021 were as follows:

| | Amount Outstanding 06/30/20 | Additions | Reductions | Amount Outstanding 06/30/21 | Amount Due Within One Year |
|---|-----------------------------------|--------------------|----------------------|-----------------------------------|----------------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds: | | | | | |
| Classroom Facilities and School Improvement Bonds, Series 2017-1: | | | | | |
| Serial Bonds | \$4,365,000 | \$0 | (\$510,000) | \$3,855,000 | \$520,000 |
| Term Bonds | 10,565,000 | 0 | 0 | 10,565,000 | 0 |
| Premium | 389,027 | 0 | (14,773) | 374,254 | 0 |
| Discount | (117,476) | 0 | 4,461 | (113,015) | 0 |
| Classroom Facilities and School Improvement Bonds, Series 2017-2: | | | | | |
| Serial Bonds | 8,625,000 | 0 | (10,000) | 8,615,000 | 10,000 |
| Premium | 622,183 | 0 | (35,896) | 586,287 | 0 |
| Total General Obligation Bonds | 24,448,734 | 0 | (566,208) | 23,882,526 | 530,000 |
| Other Obligations: | | | | | |
| Lease Purchase from Direct Borrowing | 7,891 | 0 | (7,891) | 0 | 0 |
| Capital Lease Payable | 45,142 | 0 | (26,138) | 19,004 | 19,004 |
| Compensated Absences | 1,851,144 | 108,140 | (156,397) | 1,802,887 | 165,932 |
| Total Other Obligations | 1,904,177 | 108,140 | (190,426) | 1,821,891 | 184,936 |
| Net Pension Liability: | | | | | |
| SERS | 4,684,372 | 403,451 | 0 | 5,087,823 | 0 |
| STRS | 24,762,258 | 1,077,604 | 0 | 25,839,862 | 0 |
| Total Net Pension Liability | 29,446,630 | 1,481,055 | 0 | 30,927,685 | 0 |
| Net OPEB Liability - SERS | 2,016,786 | 0 | (278,163) | 1,738,623 | 0 |
| <i>Total Governmental Activities</i> | | | | | |
| <i>Long-Term Liabilities</i> | <u>\$57,816,327</u> | <u>\$1,589,195</u> | <u>(\$1,034,797)</u> | <u>\$58,370,725</u> | <u>\$714,936</u> |

Classroom Facilities and School Improvement Bonds, Series 2017-1 In March 2017 the School District issued \$15,980,000 in general obligation bonds for new construction and building improvements throughout the School District. The general obligation bonds included \$5,415,000 in serial bonds and \$10,565,000 in term bonds. 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. The bonds were issued at interest rates ranging from 2 to 5 percent.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Optional Redemption The bonds maturing after November 1, 2025, are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after November 1, 2025, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption The term bonds maturing on November 1, 2039, 2042 and 2046 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

| Year | Issue | | |
|--------------------------------------|--------------------|--------------------|--------------------|
| | \$2,645,000 | \$2,370,000 | \$5,550,000 |
| 2026 | \$50,000 | \$0 | \$0 |
| 2027 | 50,000 | 0 | 0 |
| 2028 | 50,000 | 0 | 0 |
| 2029 | 50,000 | 0 | 0 |
| 2030 | 50,000 | 0 | 0 |
| 2031 | 50,000 | 0 | 0 |
| 2032 | 50,000 | 0 | 0 |
| 2033 | 50,000 | 0 | 0 |
| 2034 | 55,000 | 0 | 0 |
| 2035 | 55,000 | 0 | 0 |
| 2036 | 55,000 | 0 | 0 |
| 2037 | 55,000 | 0 | 0 |
| 2038 | 995,000 | 0 | 0 |
| 2041 | 0 | 1,155,000 | 0 |
| 2043 | 0 | 0 | 1,275,000 |
| 2044 | 0 | 0 | 1,370,000 |
| 2045 | 0 | 0 | 1,425,000 |
| Total Mandatory Sinking Fund Payment | 1,615,000 | 1,155,000 | 4,070,000 |
| Amount Due at Stated Maturity | 1,030,000 | 1,215,000 | 1,480,000 |
| Total | <u>\$2,645,000</u> | <u>\$2,370,000</u> | <u>\$5,550,000</u> |
| <i>Stated Maturity</i> | 11/1/2039 | 11/1/2042 | 11/1/2046 |

Classroom Facilities and School Improvement Bonds, Series 2017-2 In March 2017 the School District issued \$9,185,000 in general obligation bonds for new construction and building improvements throughout the School District. The serial 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. The bonds were issued at interest rates ranging from 2 to 4 percent.

Optional Redemption The bonds maturing on and after November 1, 2026, are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after November 1, 2025, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

Lease Purchase During fiscal year 2016, the School District entered into a lease purchase agreement for a telephone system. The lease purchase was fully repaid in fiscal year 2021.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The general obligation bonds will be paid with property taxes from the bond retirement fund. The lease purchase was paid from the general fund. There is no repayment schedule for the net pension liability and the net OPEB liability; however, employer pension and OPEB contributions are made from the general fund and the food service, special education grant, auxiliary services, elementary and secondary school emergency relief, 21st century grant, title VI-B, title III, title I, improving teacher quality, and miscellaneous federal grants special revenue funds. For additional information related to the net pension liability and the net OPEB liability, see Notes 13 and 14. Compensated absences will be paid from the general fund and the food service special revenue fund. The capital lease payable will be paid from the general fund.

The School District's overall legal debt margin was \$17,285,782 with an unvoted debt margin of \$436,855 at June 30, 2021. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, are as follows:

| Fiscal Year | General Obligation Bonds | | | |
|-------------|--------------------------|-------------|--------------|-------------|
| | Serial | | Term | |
| | Principal | Interest | Principal | Interest |
| 2022 | \$530,000 | \$460,888 | \$0 | \$439,688 |
| 2023 | 550,000 | 444,888 | 0 | 439,688 |
| 2024 | 560,000 | 428,225 | 0 | 439,688 |
| 2025 | 580,000 | 409,812 | 0 | 439,688 |
| 2026 | 595,000 | 394,381 | 0 | 439,688 |
| 2027-2031 | 3,075,000 | 1,633,500 | 250,000 | 2,175,000 |
| 2032-2036 | 3,775,000 | 950,500 | 260,000 | 2,127,750 |
| 2037-2041 | 2,805,000 | 262,700 | 2,135,000 | 1,935,094 |
| 2042-2046 | 0 | 0 | 6,440,000 | 991,800 |
| 2047 | 0 | 0 | 1,480,000 | 29,600 |
| Total | \$12,470,000 | \$4,984,894 | \$10,565,000 | \$9,457,684 |

Note 17 – Capital Lease

During fiscal year 2017, the School District entered into a lease for copiers. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The assets acquired through the capital lease were capitalized at the present value of the minimum lease payments at the time the lease was entered into. The original amount capitalized for the copiers and the book value as of June 30, 2021, are as follows:

| | Amounts |
|--------------------------------|----------|
| Asset: | |
| Furniture and Fixtures | \$70,239 |
| Less: Accumulated Depreciation | (60,876) |
| Book Value | \$9,363 |

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2021:

| | Amounts |
|---|----------|
| Fiscal Year Ending June 30, 2022 | \$19,758 |
| Less: Amount Representing Interest | (754) |
| Present Value of Mimimum Lease Payments | \$19,004 |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

Note 18 – 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 change in the fiscal year end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

| | Capital Improvement |
|--|------------------------|
| Set-Aside Balances as of June 30, 2020 | \$0 |
| Current Year Set-Aside Requirement | 478,505 |
| Current Year Offsets | (330,402) |
| Prior Year Offset from Bond Proceeds | (148,103) |
| Totals | \$0 |
| Set-Aside Balance Carried Forward to Future Fiscal Years | \$0 |
| Set-Aside Balance as of June 30, 2021 | \$0 |

The offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset for future periods. The available balance remaining for future use as of June 30, 2021, was \$24,351,391.

Note 19 – Jointly Governed Organizations

Ohio Mid-Eastern Regional Educational Service Agency

Ohio Mid-Eastern Regional Educational Service Agency (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 education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one school district representative from each of the participating counties. 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. During fiscal year 2021, the School District paid \$84,096 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Buckeye Joint Vocational School District

The Buckeye Joint Vocational School District, which provides vocational education programs, is a distinct subdivision of the State of Ohio operated under a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possessed its own budgeting and taxing authority. During fiscal year 2021, the School District made no payments to Buckeye Joint Vocational School District. To obtain financial information, write to Buckeye Joint Vocational School District, Cheryl Malik, Treasurer, 545 University Drive NE, New Philadelphia, Ohio 44663.

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 55 members, consisting of 3 members appointed by the County Commissioners, 22 members appointed by municipal corporations, 18 members appointed by township trustees, 1 member from the County Auditor's office, and 11 members appointed by boards of education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2021, the School District made no payments to the TCTIRC.

Note 20 – Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Jefferson Health Plan

In fiscal year 2021, the School District participated in the Jefferson Health Plan (the Plan), a risk-sharing, claims servicing, and insurance purchasing pool composed of 121 members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, prescription, vision, and dental coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services.

Note 21 – Related Organization

The Dover Public Library (the Library) is a related organization to the School District. The School District Board of Education members are responsible for appointing all the trustees of the Library; however, the School District Board of Education cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. During fiscal year 2021, the School District paid \$7,000 to the Library for services provided.

Note 22 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

Litigation

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

Note 23 – Significant Commitments

Contractual Commitments

The School District had the following contractual commitments outstanding at June 30, 2021:

| <u>Project</u> | <u>Contract Amount</u> | <u>Amount Paid</u> | <u>Remaining on Contract</u> |
|----------------------|----------------------------|------------------------|----------------------------------|
| New High School | \$44,629,926 | \$44,513,026 | \$116,900 |
| 1962 Wing Renovation | 1,783,109 | 1,678,753 | 104,356 |
| Total | <u>\$46,413,035</u> | <u>\$46,191,779</u> | <u>\$221,256</u> |

Dover City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

\$100,871 of the remaining commitment amounts were encumbered at fiscal year end.

Payables in the amount of \$114,420 have been capitalized.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|----------------------------|-------------------------|
| Governmental Funds: | |
| General | \$195,933 |
| Other Governmental Funds | <u>434,658</u> |
| Total Governmental Funds | <u><u>\$630,591</u></u> |

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 25 – Subsequent Events

Foundation Funding

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$1,530,620 in revenues and expenditures/expenses related to these programs. Also during fiscal year 2021, the School District reported \$941,788 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each school district. The School District's State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Health Insurance

Effective July 1, 2021, the School District moved from the Jefferson Health Plan to the Summit Regional Healthcare Consortium for health insurance.

Dover City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Eight Fiscal Years (1) **

| | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.07692260% | 0.07829240% | 0.08379850% |
| School District's Proportionate Share of the Net Pension Liability | \$5,087,823 | \$4,684,372 | \$4,799,295 |
| School District's Covered Payroll | \$2,706,686 | \$2,681,726 | \$2,734,185 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 187.97% | 174.68% | 175.53% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.55% | 70.85% | 71.36% |

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

| 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|-------------|
| 0.08093980% | 0.08561370% | 0.08499100% | 0.08574500% | 0.08574500% |
| \$4,835,974 | \$6,266,133 | \$4,849,669 | \$4,339,506 | \$5,098,980 |
| \$2,684,371 | \$2,673,671 | \$2,931,222 | \$2,814,957 | \$3,074,299 |
| 180.15% | 234.36% | 165.45% | 154.16% | 165.86% |
| 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

Dover City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1) **

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| School District's Proportion of the Net OPEB Liability | 0.07999820% | 0.08019700% | 0.08464280% | 0.08221670% | 0.08649030% |
| School District's Proportionate Share of the Net OPEB Liability | \$1,738,623 | \$2,016,786 | \$2,348,220 | \$2,206,480 | \$2,465,294 |
| School District's Covered Payroll | \$2,706,686 | \$2,681,726 | \$2,734,185 | \$2,684,371 | \$2,673,671 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 64.23% | 75.20% | 85.88% | 82.20% | 92.21% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 18.17% | 15.57% | 13.57% | 12.46% | 11.49% |

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Dover City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Eight Fiscal Years (1) **

| | 2021 | 2020 | 2019 |
|--|--------------|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.10679199% | 0.11197346% | 0.11392811% |
| School District's Proportionate Share of the Net Pension Liability | \$25,839,862 | \$24,762,258 | \$25,050,233 |
| School District's Covered Payroll | \$12,945,950 | \$13,076,914 | \$13,046,364 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 199.60% | 189.36% | 192.01% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.50% | 77.40% | 77.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

| 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|--------------|
| 0.11219644% | 0.11295210% | 0.11166560% | 0.10982192% | 0.10982192% |
| \$26,652,505 | \$37,808,473 | \$30,861,106 | \$26,712,492 | \$31,819,745 |
| \$12,455,307 | \$12,020,571 | \$11,833,257 | \$11,563,315 | \$12,204,923 |
| 213.99% | 314.53% | 260.80% | 231.01% | 260.71% |
| 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

Dover City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1) **

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| School District's Proportion of the Net OPEB Asset/Liability | 0.10679199% | 0.11197346% | 0.11392811% | 0.11219644% | 0.11295210% |
| School District's Proportionate Share of the: | | | | | |
| Net OPEB Asset | \$1,876,867 | \$1,854,549 | \$1,830,709 | \$0 | \$0 |
| Net OPEB Liability | 0 | 0 | 0 | 4,377,491 | 6,040,708 |
| School District's Covered Payroll | \$12,945,950 | \$13,076,914 | \$13,046,364 | \$12,455,307 | \$12,020,571 |
| School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll | (14.50%) | (14.18%) | (14.03%) | 35.15% | 50.25% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 182.10% | 174.70% | 176.00% | 47.10% | 37.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Dover City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 |
|---|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$377,883 | \$378,936 | \$362,033 | \$369,115 |
| Contributions in Relation to the Contractually Required Contribution | <u>(377,883)</u> | <u>(378,936)</u> | <u>(362,033)</u> | <u>(369,115)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$2,699,164 | \$2,706,686 | \$2,681,726 | \$2,734,185 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>13.50%</u> | <u>13.50%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution (2) | \$51,245 | \$52,224 | \$54,050 | \$57,751 |
| Contributions in Relation to the Contractually Required Contribution | <u>(51,245)</u> | <u>(52,224)</u> | <u>(54,050)</u> | <u>(57,751)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| OPEB Contributions as a Percentage of Covered Payroll | <u>1.90%</u> | <u>1.93%</u> | <u>2.02%</u> | <u>2.11%</u> |
| Total Contributions as a Percentage of Covered Payroll (2) | <u>15.90%</u> | <u>15.93%</u> | <u>15.52%</u> | <u>15.61%</u> |

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$375,812 | \$374,314 | \$386,335 | \$390,153 | \$425,483 | \$367,418 |
| <u>(375,812)</u> | <u>(374,314)</u> | <u>(386,335)</u> | <u>(390,153)</u> | <u>(425,483)</u> | <u>(367,418)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$2,684,371 | \$2,673,671 | \$2,931,222 | \$2,814,957 | \$3,074,299 | \$2,731,732 |
| <u>14.00%</u> | <u>14.00%</u> | <u>13.18%</u> | <u>13.86%</u> | <u>13.84%</u> | <u>13.45%</u> |
| \$45,187 | \$42,607 | \$65,226 | \$42,503 | \$36,901 | \$15,025 |
| <u>(45,187)</u> | <u>(42,607)</u> | <u>(65,226)</u> | <u>(42,503)</u> | <u>(36,901)</u> | <u>(15,025)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>1.68%</u> | <u>1.59%</u> | <u>2.23%</u> | <u>1.51%</u> | <u>1.20%</u> | <u>0.55%</u> |
| <u>15.68%</u> | <u>15.59%</u> | <u>15.41%</u> | <u>15.37%</u> | <u>15.04%</u> | <u>14.00%</u> |

Dover City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 |
|---|--------------------|--------------------|--------------------|--------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$1,828,064 | \$1,812,433 | \$1,830,768 | \$1,826,491 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,828,064)</u> | <u>(1,812,433)</u> | <u>(1,830,768)</u> | <u>(1,826,491)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$13,057,600 | \$12,945,950 | \$13,076,914 | \$13,046,364 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |
| Net OPEB Asset/Liability | | | | |
| Contractually Required Contribution | \$0 | \$0 | \$0 | \$0 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Total Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$1,743,743 | \$1,682,880 | \$1,656,656 | \$1,503,231 | \$1,586,640 | \$1,495,297 |
| (1,743,743) | (1,682,880) | (1,656,656) | (1,503,231) | (1,586,640) | (1,495,297) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$12,455,307 | \$12,020,571 | \$11,833,257 | \$11,563,315 | \$12,204,923 | \$11,502,285 |
| 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% |
| \$0 | \$0 | \$0 | \$115,633 | \$122,049 | \$115,023 |
| 0 | 0 | 0 | (115,633) | (122,049) | (115,023) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 0.00% | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% |
| 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

Dover City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

| | Beginning in Fiscal Year 2017 | Fiscal Year 2016 and Prior |
|---|---|---|
| Wage Inflation | 3.00 percent | 3.25 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent | 4.00 percent to 22.00 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation | 7.75 percent net of investments expense, including inflation |

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

| | Beginning in Fiscal Year 2018 | Fiscal Year 2017 and Prior |
|--------------------------------------|--|--|
| Inflation | 2.50 percent | 2.75 percent |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent | 3.5 percent |
| Cost of Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017 | 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 fifth anniversary of retirement date. |

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are

Dover City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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. 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.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

| | |
|---|--------------|
| Municipal Bond Index Rate: | |
| Fiscal year 2021 | 2.45 percent |
| Fiscal year 2020 | 3.13 percent |
| Fiscal year 2019 | 3.62 percent |
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Fiscal year 2021 | 2.63 percent |
| Fiscal year 2020 | 3.22 percent |
| Fiscal year 2019 | 3.70 percent |
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data, and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Dover City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal AL Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|-------------------------|--|-------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution): National School Lunch Program | 10.555 | N/A | \$58,255 |
| Cash Assistance: U.S.D.A. School Breakfast Program | 10.553 | N/A | 195,447 |
| National School Lunch Program | 10.555 | N/A | 476,815 |
| U.S.D.A. Cash Assistance Subtotal | | | <u>672,262</u> |
| Cash Assistance: COVID-19 COVID-19 School Breakfast Program | 10.553 | N/A | 22,268 |
| COVID-19 National School Lunch Program | 10.555 | N/A | 58,417 |
| COVID-19 Cash Assistance Subtotal | | | <u>80,685</u> |
| Total Child Nutrition Cluster | | | <u>811,202</u> |
| Total U.S. Department of Agriculture | | | <u>811,202</u> |
| U.S. DEPARTMENT OF TREASURY | | | |
| <i>Passed Through City of Dover</i> | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | HB481-CRF-Local | 14,930 |
| Total U.S. Department of Treasury | | | <u>14,930</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| COVID-19 Coronavirus Relief Fund | | | |
| COVID-19 Rural and Small Town School District | 21.019 | N/A | 120,500 |
| COVID-19 Broadband Ohio Connectivity | 21.019 | N/A | 148,193 |
| Total COVID-19 Coronavirus Relief Fund | | | <u>268,693</u> |
| Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) | 84.010A | S010A190035 S010A200035 S010A200035 | 51,451 273,155 6,831 |
| | | | <u>331,437</u> |
| Special Education Cluster (IDEA): | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027A | H027A190111 H027A200111 | 91,694 445,849 |
| Total Special Education - Grants to States (IDEA, Part B) | | | <u>537,543</u> |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173A | H173A190119 H173A200119 | 2,891 12,173 |
| Total Special Education - Preschool Grants (IDEA Preschool) | | | <u>15,064</u> |
| Total Special Education Cluster (IDEA) | | | 552,607 |
| Twenty-First Century Community Learning Centers | 84.287C | S287C190035 S287C200035 | 6,710 149,153 |
| | | | <u>155,863</u> |
| English Language Acquisition State Grants | 84.365A | S365A190035 S365A200035 S365A200035 | 11,886 41,877 5,519 |
| | | | <u>59,282</u> |
| Supporting Effective Instruction State Grants (Title II) | 84.367A | S367A190034 S367A200034 | 13,691 51,285 |
| | | | <u>64,976</u> |
| Striving Readers Comprehensive Literacy Program | 84.371C | S371C190007 | 572,634 |
| Student Support and Academic Enrichment Program | 84.424A | S424A190036 S424A200036 | 3,480 20,206 |
| | | | <u>23,686</u> |
| Education Stabilization Fund: | | | |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | S425D200035 | 233,389 |
| COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund | 84.425U | S425U210035 | 918,366 |
| Total Education Stabilization Fund | | | <u>1,151,755</u> |
| <i>Passed Through New Philadelphia City School District</i> | | | |
| Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) | 84.010A | N/A | 18,753 |
| Total U.S. Department of Education | | | <u>3,199,686</u> |
| Total Expenditures of Federal Awards | | | <u>\$4,025,818</u> |

The accompanying notes are an integral part of this Schedule.

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Dover City School District (the School District) under programs of the federal government for the year ended June 30, 2021. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - 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 School District transferred the following amounts from 2021 to 2022 programs:

| <u>Program Title</u> | <u>AL</u> | <u>Amt.</u> |
|--|----------------------|---------------------------|
| | <u>Number</u> | <u>Transferred</u> |
| COVID-19 Rural and Small Town School District | 21.019 | \$1,603 |
| Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) | 84.010A | \$60,639 |
| Special Education - Grants to States (IDEA, Part B) | 84.027A | \$82,479 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173A | \$677 |
| Twenty-First Century Community Learning Centers | 84.287C | \$3 |
| English Language Acquisition State Grants | 84.365A | \$4,778 |
| Supporting Effective Instruction State Grants (Title II) | 84.367A | \$3,617 |
| Striving Readers Comprehensive Literacy Program | 84.371C | \$234,123 |
| Student Support and Academic Enrichment Program (Title IV-A) | 84.424A | \$2,443 |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) | 84.425D | \$16,032 |

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OHIO AUDITOR OF STATE KEITH FABER



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

Dover City School District
Tuscarawas County
228 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, the 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, 2021, 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 July 20, 2022, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the School District.

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) as a basis for designing 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 financial statements. 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 20, 2022



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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited 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 Dover City School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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 programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in Findings 2021-001 through 2021-003 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

| Finding # | AL # | Program (or Cluster) Name | Compliance Requirement |
|-----------|---------------|---------------------------|------------------------|
| 2021-001 | 10.553/10.555 | Child Nutrition Cluster | Cash Management |
| 2021-002 | 10.553/10.555 | Child Nutrition Cluster | Procurement |
| 2021-003 | 10.553/10.555 | Child Nutrition Cluster | Eligibility |

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to this program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the Dover City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2021.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Dover City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2021.

Other Matters

The School District's responses to our internal control over compliance findings are described in the accompanying Corrective Action Plan. We did not subject the School District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2021-003 to be a significant deficiency.

The School District's responses to our internal control over compliance findings is described in the accompanying Corrective Action Plan. We did not subject the School District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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



Keith Faber
Auditor of State
Columbus, Ohio

July 20, 2022

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion: <ul style="list-style-type: none"> • Qualified – AL #10.553 and 10.555 - Child Nutrition Cluster (includes COVID-19) • Unmodified – AL# 84.425D and 84.425U – COVID-19 Elementary and Secondary School Emergency Relief | |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): <ul style="list-style-type: none"> • AL # 10.553 and 10.555 - Child Nutrition Cluster (includes COVID-19) • AL # 84.425D and 84.425U - COVID-19 Elementary and Secondary School Emergency Relief | |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | Yes |

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

None

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Cash Management

| | |
|--|---|
| Finding Number: | 2021-001 |
| Assistance Listing Number and Title: | AL # 10.553 and 10.555 Child Nutrition Cluster |
| Federal Award Identification Number / Year: | 2021 |
| Federal Agency: | U.S. Department of Agriculture |
| Compliance Requirement: | Cash Management |
| Pass-Through Entity: | Ohio Department of Education |
| Repeat Finding from Prior Audit? | No |

Material Weakness

The Ohio Department of Education (ODE) requires the School District to report meals served to students through the Claims Reimbursement and Reporting System (CRRS) in order for ODE to reimburse the School District for meals served with federal funding. As a part of the internal control process, the School District utilized the PaySchools point of sale system to track meals served. This system generated CN-6 and CN-7 reports which the School District utilized to report meals served in the CRRS.

For September 2020, the School District under reported free breakfasts by 352 meals. This occurred as meals reported in the CRRS did not match the meals served as documented in the School District's CN-6 and CN-7 reports. Errors in reporting indicated an internal control failure for 33% of the months tested. As a result, there was an increased risk in the School District being reimbursed improper amounts of federal funding.

The School District should review CN-6 and CN-7 reports monthly and implement a system to ensure that data from these reports are properly reported in the CRRS. This will help to ensure that controls are in place and that claims reimbursements are received in the proper amounts.

Officials' Response: See Corrective Action Plan

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Procurement

| | |
|--|---|
| Finding Number: | 2021-002 |
| Assistance Listing Number and Title: | AL # 10.553 and 10.555 Child Nutrition Cluster |
| Federal Award Identification Number / Year: | 2021 |
| Federal Agency: | U.S. Department of Agriculture |
| Compliance Requirement: | Procurement |
| Pass-Through Entity: | Ohio Department of Education |
| Repeat Finding from Prior Audit? | No |

Noncompliance and Material Weakness

2 C.F.R. § 400.1 gives regulatory effect to the Department of Agriculture for **2 C.F.R. § 200.318(a)** which requires the School District to use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. **2 C.F.R. § 200.319** requires that all procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section and 2 C.F.R. § 200.320. **2 C.F.R. § 200.320** requires procurement to be performed through micro-purchase procedures, small purchase procedures, sealed bids, competitive proposals or noncompetitive proposals when only one source was available. Furthermore, **2 C.F.R. § 200.18(i)** provides that the entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

The School District implemented policy # *DECA – Administration of Federal Grant Funds*, last revised on September 14, 2020. However, the policy did not document procurement performed through micro-purchase procedures. Procurement by micro-purchase was the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,500. To the extent practicable, the School District must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the School District considers the price to be reasonable. The National Defense Authorization Act of 2018 allowed entities to increase the micro-purchase threshold from \$3,500 to \$10,000. However, this increase was required to be formally adopted by policy. As this was not formally approved, the School District was subject to the \$3,500 threshold. During 2021, the School District purchased items from seven vendors with federal nutrition monies exceeding the \$3,500 threshold where they did not ensure open competition by seeking multiple quotes. As a result, the School District did not ensure open competition through procurement.

The School District should review their policy and the requirements of 2 C.F.R. §§ 200.318 through 200.320, as well as the National Defense Authorization Act of 2018. The School District should update their policy to include procurement by micro-purchases with a limit of either \$3,500 or \$10,000, as desired. The School District should ensure open competition has occurred by seeking multiple quotes for expenditures aggregating to more than the threshold per vendor, utilizing the required number of quotes as documented in their policy. For expenditures within the approved micro-purchase threshold, the School District should, to the extent practicable, distribute micro-purchases among vendors. This will help to ensure that the School District's policies meet federal requirements, and the School District ensures open competition through procurement.

Officials' Response: See Corrective Action Plan

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Eligibility

| | |
|--|---|
| Finding Number: | 2021-003 |
| Assistance Listing Number and Title: | AL # 10.553 and 10.555 Child Nutrition Cluster |
| Federal Award Identification Number / Year: | 2021 |
| Federal Agency: | U.S. Department of Agriculture |
| Compliance Requirement: | Eligibility |
| Pass-Through Entity: | Ohio Department of Education |
| Repeat Finding from Prior Audit? | No |

Noncompliance and Significant Deficiency

7 CFR Part 245.6(c)(4) requires that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income for determination if the household was eligible for free or reduced price benefits. When a household submits an application containing complete documentation, as defined in 7 CFR Part 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in 7 CFR Part 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

Due to deficiencies in internal controls, three percent of the eligibility determinations tested were made incorrectly. Errors are described as follows:

- One household submitted an application documenting annual income of \$66,560, with a household size of seven. However, the student was listed under both the Student and Member sections of the application rather than only being listed under the Student section, resulting in the student being counted twice in the household size when determining the student's eligibility. Therefore, the student's eligibility was incorrectly determined to be reduced rather than full-priced based on the Income Eligibility Guidelines.
- One household submitted an application documenting monthly income of \$3,800, with a household size of eight (which included three students of the School District). However, the students were listed under both the Student and Members sections of the application rather than only being listed under the Student section, resulting in the students being counted twice in the household size when determining the student's eligibility. Therefore, the students' eligibility was incorrectly determined to be free rather than reduced based on the Income Eligibility Guidelines.

Officials' Response: See Corrective Action Plan



Dover City Schools

228 West Sixth Street
Dover, Ohio 44622

DISTRICT STAFF

SUPERINTENDENT

Karie McCrate
330-364-1906

TREASURER

Kathryn Brugger
330-364-7106

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Chad Schie
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FOOD SERVICES

Angela Welch
330-364-7103

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SCHOOLS

DOVER HIGH SCHOOL

520 North Walnut Street
PRINCIPAL

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330-364-7148

ASSISTANT PRINCIPAL

Scott Ayers
330-364-7147

ATHLETIC DIRECTOR

Tim McCrate
330-364-7143

DOVER MIDDLE SCHOOL

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PRINCIPAL

Jack Edwards
330-364-7121

ASSISTANT PRINCIPAL

Eric Seibert
330-364-7121

DOVER AVENUE

ELEMENTARY

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PRINCIPAL

Katie Nicholson

330-364-7117

EAST ELEMENTARY

325 Betscher Avenue

PRINCIPAL

Zach Zesiger

330-364-7114

SOUTH ELEMENTARY

280 East Shafer Avenue

PRINCIPAL

Tracie Murphy

330-364-7111

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2021

| | |
|-------------------------------------|--|
| Finding Number: | 2021-001 |
| Planned Corrective Action: | The Superintendent and Treasurer have met with the food service director and the issue. As a result, the food service director will submit a copy of the CN-6 and CN-7 report filings to the treasurer along with a copy of the number of meals entered in CRRS at the end of each month for verification. |
| Anticipated Completion Date: | Beginning with School year 2023 |
| Responsible Contact Person: | Angela Welch |
| Finding Number: | 2021-002 |
| Planned Corrective Action: | This was a result of a law change that had not been updated in current practice. The food service director will collect additional quotes to meet this requirement. Quotes will be kept with the office of food service and will be available upon request. Additionally, the district will update the policy to the \$10,000 limit. |
| Anticipated Completion Date: | Beginning with School year 2023 |
| Responsible Contact Person: | Angela Welch |
| Finding Number: | 2021-003 |
| Planned Corrective Action: | The Superintendent and Treasurer have met with the food service director and the issue. As a result, the department will double check the forms to make sure that parents/guardians are not listing the students in both sections of the form. Forms are kept in the office of food service and are available upon request. |
| Anticipated Completion Date: | Beginning with School year 2023 |
| Responsible Contact Person: | Angela Welch |

A Distinguished History and a Dynamic Future

OHIO AUDITOR OF STATE KEITH FABER



DOVER CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/9/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov