



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Dover City School District  
Tuscarawas County  
219 West 6<sup>th</sup> Street  
Dover, Ohio 44622

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

November 18, 2005

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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The discussion and analysis of the Dover City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2005 are as follows:

- General Revenues accounted for \$17,590,783 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,806,725 or 14% of total revenues of \$20,397,508.
- Total program expenses were \$20,412,768.
- In total, net assets decreased \$15,260.
- Outstanding bonded debt decreased from \$7,131,063 to \$6,536,675 during 2005.

***Using this Annual Report***

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

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

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

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



**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The School District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2005 compared to 2004:

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

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Current and Other Assets	\$ 15,394,644	\$ 14,381,044
Capital Assets	9,709,076	9,475,714
Total Assets	25,103,720	23,856,758
<b>Liabilities</b>		
Long-Term Liabilities	8,307,720	8,600,352
Other Liabilities	13,698,108	12,143,254
Total Liabilities	22,005,828	20,743,606
<b>Net Assets</b>		
Invested in Capital Assets Net of Debt	2,612,839	2,135,103
Restricted	986,794	911,572
Unrestricted (Deficit)	(501,741)	66,477
Total Net Assets	\$ 3,097,892	\$ 3,113,152

Total net assets decreased by \$15,260. An increase of approximately \$233,362 in total capital assets reflects additional purchases exceeding depreciation. Total liabilities increased by \$1,262,222 and was primarily a result of increased deferred revenue.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2005. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2005	2004
<b><i>Revenues</i></b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 855,150	\$ 1,025,420
Operating Grants	1,910,395	1,303,159
Capital Grants	41,180	0
<i>General Revenues:</i>		
Property Taxes	10,889,854	11,119,546
Grants and Entitlements	6,441,846	6,790,951
Other	259,083	750,922
<i>Total Revenues</i>	20,397,508	20,989,998
 <b><i>Program Expenses</i></b>		
Instruction	11,660,260	11,078,359
Support Services	6,792,160	6,594,158
Operation of Non-Instructional Services	825,718	1,143,073
Extracurricular Services	819,877	808,741
Interest and Fiscal Charges	314,753	477,749
<i>Total Expenses</i>	20,412,768	20,102,080
 Increase (Decrease) in Net Assets	 \$ (15,260)	 \$ 887,918

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

**Governmental Activities**

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

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

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 11,660,260	\$ 10,666,534	\$ 11,078,359	\$ 10,463,969
Support Services:				
Pupil and Instructional Staff	2,134,549	1,571,650	2,138,038	1,720,808
Board of Education, Administration				
Fiscal and Central	2,180,272	2,097,177	2,120,060	2,082,245
Operation and Maintenance of Plant	1,799,579	1,784,579	1,718,853	1,687,877
Pupil Transportation	677,760	637,856	617,207	609,050
Operation of Non-Instructional Services	825,718	(35,185)	1,143,073	170,154
Extracurricular Activities	819,877	568,679	808,741	561,649
Interest and Fiscal Charges	314,753	314,753	477,749	477,749
<b>Total</b>	<b>\$ 20,412,768</b>	<b>\$ 17,606,043</b>	<b>\$ 20,102,080</b>	<b>\$ 17,773,501</b>

Instruction and pupil and instructional staff support services comprise 68% of governmental program expenses. Interest, fiscal and administration charges were 12%. Interest expense was attributable to the outstanding bonds, fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided by the District. Pupil transportation and the operation/maintenance of facilities accounts for 12% of governmental program expenses.

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

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2005, the District did modify its general fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, final budget basis revenue was \$18,129,327, over the original budget estimates of \$17,823,100. Of this \$306,227 increase, most was attributable to an increase in intergovernmental revenue.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the District had \$9,709,076 invested in land, buildings and building improvements, improvements other than buildings, furniture and equipment and vehicles. See note 9 for additional details. Table 4 shows fiscal year 2005 balances compared with 2004.

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

	Governmental Activities	
	2005	2004
Land	\$ 379,605	\$ 379,605
Buildings and Building Improvements	8,523,211	8,176,560
Improvements Other Than Buildings	92,838	99,414
Furniture and Equipment	405,794	311,080
Vehicles	307,628	175,141
Construction in Progress	0	208,454
Totals	\$ 9,709,076	\$ 9,350,254

The \$358,822 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

A change in Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks (see note 21). For fiscal year 2005, this amounted to \$360,167 for each set aside. The District has qualifying disbursements or offsets for capital acquisition equaling \$369,232, with the remainder scheduled to be carried forward to future fiscal years. For the textbooks, the District has qualifying disbursements or offsets exceeding the requirement.

**Debt**

At June 30, 2005, the District had \$6,536,675 in bonds outstanding with \$530,000 due within one year. See note 14 for additional details. Table 5 summarizes bonds outstanding.

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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

	Governmental Activities	
	2005	2004
2004 School Improvement Refunding Bonds		
Serial Bonds	\$ 5,975,000	\$ 6,625,000
Capital Appreciation Bonds	498,806	498,806
Accretion on Capital Appreciation Bonds	62,869	7,257
	\$ 6,536,675	\$ 7,131,063
Total		

***Current Issues***

The Dover City School District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November, 1996, with the promise that the revenue generated by a levy would provide sufficient funding for five years. In November 2003, the Board of Education submitted a new operating levy which was approved by the residents.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 53% of revenues for governmental activities for the Dover City School District in fiscal year 2005.

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

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

**Dover City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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The Dover City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the District. Another District concern is the State Legislative approval of the biennial budget, effective July 1, 2005, which had a negative impact on the district. How the legislature plans to fund education programs during a weakened economy remains a concern.

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

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

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

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

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**Dover City School District**

*Statement of Net Assets*

*June 30, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,571,377
Receivables:	
Taxes	11,657,454
Accounts	7,654
Intergovernmental	146,362
Inventory Held For Resale	11,797
Nondepreciable Capital Assets	379,605
Depreciable Capital Assets (Net)	<u>9,329,471</u>
<i>Total Assets</i>	<u>25,103,720</u>
<b>Liabilities</b>	
Accounts Payable	171,142
Accrued Wages and Benefits	2,241,943
Accrued Vacation Payable	7,530
Matured Compensated Absences Payable	67,838
Accrued Interest	16,035
Intergovernmental Payable	480,367
Deferred Revenue	10,713,253
Long Term Liabilities:	
Due Within One Year	744,023
Due Within More Than One Year	<u>7,563,697</u>
<i>Total Liabilities</i>	<u>22,005,828</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,612,839
Restricted for:	
Capital Outlay	122,984
Debt Service	640,721
Other Purposes	223,089
Unrestricted	<u>(501,741)</u>
<i>Total Net Assets</i>	<u>\$ 3,097,892</u>

See accompanying notes to the basic financial statements.



**Dover City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 9,388,014	\$ 111,722	\$ 109,089	\$ 0	\$ (9,167,203)
Special	1,923,299	0	772,915	0	(1,150,384)
Other	348,947	0	0	0	(348,947)
Support Services:					
Pupils	1,077,971	0	228,317	0	(849,654)
Instructional Staff	1,056,578	0	313,267	21,315	(721,996)
Board of Education	102,430	0	0	0	(102,430)
Administration	1,520,485	0	83,095	0	(1,437,390)
Fiscal	557,357	0	0	0	(557,357)
Operation and Maintenance of Plant	1,799,579	0	15,000	0	(1,784,579)
Pupil Transportation	677,760	28,713	0	11,191	(637,856)
Operation of Non-Instructional Services:					
Food Service Operations	620,074	469,565	225,821	0	75,312
Community Services	205,644	0	156,843	8,674	(40,127)
Extracurricular Activities	819,877	245,150	6,048	0	(568,679)
Interest and Fiscal Charges	314,753	0	0	0	(314,753)
<b>Total Governmental Activities</b>	<b>\$ 20,412,768</b>	<b>\$ 855,150</b>	<b>\$ 1,910,395</b>	<b>\$ 41,180</b>	<b>(17,606,043)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,172,820
Debt Service	640,059
Capital Outlay	76,975
Grants and Entitlements not Restricted to Specific Programs	6,441,846
Investment Earnings	69,550
Miscellaneous	189,533

*Total General Revenues* 17,590,783

Change in Net Assets (15,260)

*Net Assets Beginning of Year - Restated (See Note 3)* 3,113,152

*Net Assets End of Year* \$ 3,097,892

See accompanying notes to the basic financial statements.

**Dover City School District**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,111,221	\$ 605,075	\$ 593,261	\$ 3,309,557
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	261,820	0	0	261,820
Receivables:				
Taxes	10,938,237	638,066	81,151	11,657,454
Accounts	6,691	0	963	7,654
Intergovernmental	0	0	146,362	146,362
Interfund Receivable	124,828	0	0	124,828
Inventory Held For Resale	0	0	11,797	11,797
<i>Total Assets</i>	<u>\$ 13,442,797</u>	<u>\$ 1,243,141</u>	<u>\$ 833,534</u>	<u>\$ 15,519,472</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 138,256	\$ 0	\$ 32,886	\$ 171,142
Accrued Wages and Benefits	2,055,022	0	186,921	2,241,943
Intergovernmental Payable	456,859	0	23,508	480,367
Interfund Payable	0	0	124,828	124,828
Deferred Revenue	10,247,759	597,788	79,581	10,925,128
Matured Compensated Absences Payable	67,838	0	0	67,838
<i>Total Liabilities</i>	<u>12,965,734</u>	<u>597,788</u>	<u>447,724</u>	<u>14,011,246</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	182,616	0	109,429	292,045
Reserved for Inventory	0	0	11,797	11,797
Reserved for Tax Revenue Unavailable for Appropriation	690,478	40,278	5,123	735,879
Reserved for Capital Acquisition	261,820	0	0	261,820
Unreserved, Undesignated, Reported in:				
General Fund	(657,851)	0	0	(657,851)
Special Revenue Funds	0	0	174,900	174,900
Debt Service Fund	0	605,075	0	605,075
Capital Projects Funds	0	0	84,561	84,561
<i>Total Fund Balances</i>	<u>477,063</u>	<u>645,353</u>	<u>385,810</u>	<u>1,508,226</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 13,442,797</u>	<u>\$ 1,243,141</u>	<u>\$ 833,534</u>	<u>\$ 15,519,472</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

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**Total Governmental Fund Balances** \$ 1,508,226

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 9,709,076

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	3,553
Delinquent Property Taxes	208,322

Total 211,875

In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due. (16,035)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Vacation Payable	(7,530)
General Obligation Bonds	(5,975,000)
Capital Appreciation Bonds	(561,675)
Compensated Absences	(1,148,614)
Capital Leases Payable	(622,431)

Total (8,315,250)

*Net Assets of Governmental Activities* \$ 3,097,892

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, 2005*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 10,174,222	\$ 647,594	\$ 77,665	\$ 10,899,481
Intergovernmental	6,735,753	81,819	1,558,950	8,376,522
Investment Income	67,156	0	2,394	69,550
Tuition and Fees	37,094	0	103,341	140,435
Extracurricular Activities	0	0	245,150	245,150
Gifts and Donations	65	0	13,346	13,411
Charges for Services	0	0	469,565	469,565
Miscellaneous	64,826	0	124,642	189,468
<i>Total Revenues</i>	<u>17,079,116</u>	<u>729,413</u>	<u>2,595,053</u>	<u>20,403,582</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,031,163	0	209,455	9,240,618
Special	1,504,192	0	410,602	1,914,794
Other	276,941	0	72,006	348,947
Support Services:				
Pupils	867,599	0	203,850	1,071,449
Instructional Staff	817,714	0	309,349	1,127,063
Board of Education	101,824	0	0	101,824
Administration	1,545,359	0	38,300	1,583,659
Fiscal	544,582	14,159	1,775	560,516
Operation and Maintenance of Plant	1,822,714	0	435,222	2,257,936
Pupil Transportation	763,408	0	0	763,408
Extracurricular Activities	527,520	0	283,374	810,894
Operation of Non-instructional Services:				
Food Service Operations	0	0	677,152	677,152
Community Services	0	0	192,497	192,497
Debt Service:				
Principal Retirement	33,504	650,000	116,807	800,311
Interest and Fiscal Charges	5,880	216,038	21,188	243,106
<i>Total Expenditures</i>	<u>17,842,400</u>	<u>880,197</u>	<u>2,971,577</u>	<u>21,694,174</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(763,284)</u>	<u>(150,784)</u>	<u>(376,524)</u>	<u>(1,290,592)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Inception of Capital Lease	170,057	0	393,137	563,194
Proceeds from Sale of Capital Assets	2,506	0	0	2,506
Transfers In	0	0	138,000	138,000
Transfers Out	(138,000)	0	0	(138,000)
<i>Total Other Financing Sources (Uses)</i>	<u>34,563</u>	<u>0</u>	<u>531,137</u>	<u>565,700</u>
<i>Net Change in Fund Balances</i>	(728,721)	(150,784)	154,613	(724,892)
<i>Fund Balances Beginning of Year</i>	1,205,784	796,137	233,091	2,235,012
<i>Decrease in Reserve for Inventory</i>	<u>0</u>	<u>0</u>	<u>(1,894)</u>	<u>(1,894)</u>
<i>Fund Balances End of Year</i>	<u>\$ 477,063</u>	<u>\$ 645,353</u>	<u>\$ 385,810</u>	<u>\$ 1,508,226</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, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (724,892)

*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 Asset Additions	631,604	
Current Year Depreciation	(323,002)	
Total		308,602

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (75,240)

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

Grants	3,553	
Delinquent Property Taxes	(9,627)	
Total		(6,074)

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

Bond Principal	650,000	
Capital Leases	150,311	
Total		800,311

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.

Accrued Interest	(16,035)	
Bond Accretion	(55,612)	
Total		(71,647)

Inception of capital lease in the governmental funds increase long-term liabilities liabilities in the statement of net assets is not reported as revenues in the statement of activities. (563,194)

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

Accrued Vacation Payable	(7,530)	
Compensated Absences	111,127	
Intergovernmental Payable	215,171	
Change in Inventory	(1,894)	
Total		316,874

*Change in Net Assets of Governmental Activities* \$ (15,260)

**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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 11,197,600	\$ 11,197,600	\$ 11,166,980	\$ (30,620)
Intergovernmental	6,367,500	6,673,727	6,735,753	62,026
Investment Income	25,000	25,000	67,156	42,156
Tuition and Fees	40,000	40,000	48,806	8,806
Charges for Services	93,000	93,000	91,736	(1,264)
Contributions and Donations	0	0	65	65
Miscellaneous	100,000	100,000	66,405	(33,595)
<i>Total Revenues</i>	<u>17,823,100</u>	<u>18,129,327</u>	<u>18,176,901</u>	<u>47,574</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,644,192	8,765,692	8,751,128	14,564
Special	1,608,431	1,564,331	1,535,604	28,727
Other	448,201	345,201	341,412	3,789
Support Services:				
Pupils	868,839	882,939	876,744	6,195
Instructional Staff	830,314	860,414	853,256	7,158
Board of Education	153,025	136,325	107,066	29,259
Administration	1,627,422	1,658,922	1,610,854	48,068
Fiscal	519,741	551,441	539,952	11,489
Operation and Maintenance of Plant	1,756,906	1,922,506	1,791,744	130,762
Pupil Transportation	762,152	811,452	806,514	4,938
Extracurricular Activities	534,891	534,891	525,162	9,729
<i>Total Expenditures</i>	<u>17,754,114</u>	<u>18,034,114</u>	<u>17,739,436</u>	<u>294,678</u>
<i>Excess of Revenues Over Expenditures</i>	<u>68,986</u>	<u>95,213</u>	<u>437,465</u>	<u>342,252</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	2,000	2,000	2,506	506
Refund of Prior Year Expenditures	2,000	2,000	0	(2,000)
Advances In	99,977	99,977	99,977	0
Advances Out	(108,000)	(125,000)	(124,828)	172
Transfers Out	(140,000)	(140,000)	(138,000)	2,000
<i>Total Other Financing Sources (Uses)</i>	<u>(144,023)</u>	<u>(161,023)</u>	<u>(160,345)</u>	<u>678</u>
<i>Net Change in Fund Balance</i>	(75,037)	(65,810)	277,120	342,930
<i>Fund Balance Beginning of Year</i>	1,605,273	1,605,273	1,605,273	0
Prior Year Encumbrances Appropriated	<u>225,044</u>	<u>225,044</u>	<u>225,044</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,755,280</u>	<u>\$ 1,764,507</u>	<u>\$ 2,107,437</u>	<u>\$ 342,930</u>

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2005*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 373,461	\$ 91,231
Investments In Segregated Accounts	13,632	0
<i>Total Assets</i>	\$ 387,093	\$ 91,231
<b>Liabilities</b>		
Accounts Payable	\$ 0	\$ 277
Due to Students	0	90,954
<i>Total Liabilities</i>	0	\$ 91,231
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 387,093	

See accompanying notes to the basic financial statements.

**Dover City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2005*

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	<u>Scholarship</u>
<b>Additions</b>	
Gifts and Contributions	\$ 13,980
Interest	<u>8,027</u>
<i>Total Additions</i>	22,007
<b>Deductions</b>	
Scholarships	<u>10,447</u>
<i>Change in Net Assets</i>	11,560
<i>Net Assets Beginning of Year</i>	<u>375,533</u>
<i>Net Assets End of Year</i>	<u>\$ 387,093</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, 2005**

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

The Dover City School District (the “District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a School District as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of October 1, 2004, was 2,621. The District employs 199 certificated and 90 non-certificated employees.

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

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

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

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

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**Fund Financial Statements**

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

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Fund Accounting**

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

**Governmental Funds**

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

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

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

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

**Fiduciary Funds**

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

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

**Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

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

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2005, investments were limited to STAROhio, Certificates of Deposit, a repurchase agreement, and an annuity.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$67,156, which includes \$29,095 assigned from other 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 District are presented on the financial statements as cash equivalents.

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food and purchased food held for resale.

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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:

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

**I. 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 assets.

**J. 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 District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

**L. Net Assets**

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

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

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Interfund Activity**

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



DOVER CITY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

**P. Estimates**

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

**Q. Budgetary Data**

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

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

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3: RESTATEMENT OF NET ASSETS**

During fiscal year 2005, the District increased the useful lives of District school buses from four years to ten years, which decreased accumulated depreciation and increased depreciable capital assets, net by \$125,460. To report this, the beginning net assets of governmental activities have been restated as follows:

	Previously Stated Balance at 6/30/04	Adjustments	Restated Balance at 7/1/04
Governmental Activities	\$ 2,987,692	\$ 125,460	\$ 3,113,152

**NOTE 4: FUND DEFICITS**

GAAP basis fund balances at June 30, 2005 included the following individual fund deficits:

	Deficit
Special Revenue Funds:	
Food Service	\$ 29,942
Title I	848

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

**NOTE 5: BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

**Net Change in Fund Balance**

GAAP Basis	\$ (728,721)
Net adjustment for revenue accruals	927,728
Advances In	99,977
Net adjustment for expenditure accruals	368,570
Advances Out	(124,828)
Adjustment for encumbrances	<u>(265,606)</u>
 Budget Basis	 <u>\$ 277,120</u>

**NOTE 6: DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2005, the District and public depositories complied with the provisions of these statutes.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**Deposits with Financial Institutions**

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

At fiscal year-end, the carrying amount of the District's deposits was \$2,965,238, which includes \$250 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, \$2,721,172 of the District's bank balance of \$3,031,971 was exposed to custodial risk as discussed above, while \$310,799 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Annuity	\$ 13,632	\$ 13,632	\$ 0	\$ 0	\$ 0
STAROhio	1,070,831	1,070,831	0	0	0
<b>Total</b>	<b>\$ 1,084,463</b>	<b>\$ 1,084,463</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

**Credit Risk.** The District's annuity is an unrated investment. Standard & Poor's has assigned STAROhio an AAA rating.

**Concentration of Credit Risk.** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Annuity	\$ 13,632	1.26%
STAROhio	1,070,831	98.74%
<b>Total</b>	<b>\$ 1,084,463</b>	<b>100.00%</b>

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 7: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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 tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$690,478 in the general fund, \$40,278 in the bond retirement debt service fund, and \$5,123 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$1,683,236 in the general fund, \$116,848 in the bond retirement debt service fund, and \$13,203 in the permanent improvement capital projects fund.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second-Half		2005 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 213,912,490	59%	\$ 233,916,950	61%
Commercial/Industrial	73,564,900	20%	75,444,220	20%
Tangible Personal Property	67,959,980	19%	68,659,200	18%
Personal Public Utility	6,024,400	2%	221,400	1%
 Total Assessed Value	\$ 361,461,770	100%	\$ 378,241,770	100%
 Tax rate per \$1,000 of assessed value	\$ 52.17		\$ 51.47	

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (rent and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follow:

	Amounts
Food Service	\$ 22,270
CAFS Reimbursement	21,534
Ohio Reads Grant	3,905
IDEA, Part B Special Education Grant	60,422
Title I - Disadvantaged Children Grant	31,954
Title V - Innovative Education Programs Grant	561
Title II-A - Teacher Quality Grant	5,716
 Total All Funds	\$ 146,362

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 06/30/04	Additions	Reductions	Balance 06/30/05
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 379,605	\$ 0	\$ 0	\$ 379,605
Construction in Progress	208,454	393,136	(601,590)	0
<i>Total Capital Assets, not being depreciated</i>	<u>588,059</u>	<u>393,136</u>	<u>(601,590)</u>	<u>379,605</u>
 <i>Capital Assets, being depreciated:</i>				
Building and Building Improvements	14,283,083	601,590	0	14,884,673
Improvements Other Than Building	122,609	0	0	122,609
Furniture and Equipment	1,009,828	182,218	(220,669)	971,377
Vehicles	973,763	56,250	(104,632)	925,381
<i>Total Capital Assets, being depreciated</i>	<u>16,389,283</u>	<u>840,058</u>	<u>(325,301)</u>	<u>16,904,040</u>
 <i>Less Accumulated Depreciation:</i>				
Building and Building Improvements	6,106,523	254,939	0	6,361,462
Improvements Other Than Building	23,195	6,576	0	29,771
Furniture and Equipment	698,748	22,728	(155,893)	565,583
Vehicles	673,162	38,759	(94,168)	617,753
<i>Total Accumulated Depreciation</i>	<u>7,501,628</u>	<u>323,002</u> *	<u>(250,061)</u>	<u>7,574,569</u>
<i>Total Capital Assets being depreciated, net</i>	<u>8,887,655</u>	<u>517,056</u>	<u>(75,240)</u>	<u>9,329,471</u>
 <i>Governmental Activities Capital Assets, Net</i>	<u>\$ 9,475,714</u>	<u>\$ 910,192</u>	<u>\$ (676,830)</u>	<u>\$ 9,709,076</u>



**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

Instruction:		
Regular	\$	264,313
Special		16,897
Support Services:		
Pupils		4,098
Instructional Staff		889
Board of Education		606
Administration		5,003
Fiscal		492
Operation and Maintenance of Plant		10,539
Pupil Transportation		3,106
Operation of Non-Instructional Services:		
Food Service Operations		8,881
Extracurricular Activities		8,178
		<hr/>
Total Depreciation Expense	\$	<u>323,002</u>

**NOTE 10: RISK MANAGEMENT**

**A. General Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$58,571,266. The District's vehicle insurance policy limit is \$1,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a District liability policy. Additionally, the District carries a \$3,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**C. Workers' Compensation**

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

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**D. Employee Health Insurance**

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

Effective October 1, 2002 the District formed the East Ohio Schools Employees Insurance Consortium as a charter member with two other local Districts. For certified and classified employees the Consortium provides medical/surgical coverage. For all employees, the plan provides medical/surgical coverage which is 90% in-network and 80% out-of-network paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90% in-network and 80% out-of-network employee co-payment to a \$200 per person and \$400 per family in-network and \$800 per person and \$1,600 per family out-of-network out-of-pocket maximum. Employees contribute \$34 per month for family medical coverage and \$14 per month for single medical coverage.

Total required monthly premiums are as follows:

	<u>Family</u>	<u>Individual</u>
<b><u>All Employees</u></b>		
Medical/Surgical	\$ 739.88	\$ 288.13
Dental	65.81	26.32

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 11: OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All employees earn two days of personal leave per year. This may not be accumulated. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days may be accumulated up to a maximum of twenty days plus one additional day of vacation time for every four years of service over twenty years. 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 200 days for teachers, or the number of contracted days for classified, non-bargaining and administrative employees. Upon completion of ten or more years of service to the School District, State, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days for all employees.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to employees through Unumprovident. Coverage is provided for all certified and classified employees depending on salary, ranging from \$5,750 to \$23,000.

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$1,327,032, \$1,268,364 and \$1,339,884, respectively; 82 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$321,012, \$328,092 and \$341,676, respectively; 50 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**NOTE 13: POSTEMPLOYMENT BENEFITS**

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)**

Retirees who participated in the DC or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$94,788 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employee's SERS salaries. For the District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$154,388.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14: LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the fiscal year 2005 were as follows:

	Principal Outstanding 06/30/04	Additions	Reductions	Principal Outstanding 06/30/05	Amount Due in One Year
General Obligation Bonds:					
2004 School Improvement Refunding Bonds					
Serial Bonds 2.0 - 4.1%	\$ 6,625,000	\$ 0	\$ (650,000)	\$ 5,975,000	\$ 530,000
Capital Appreciation Bonds 10.65%	498,806	0	0	498,806	0
Accretion on Capital Appreciation Bonds	7,257	55,612	0	62,869	0
<i>Total General Obligation Bonds</i>	<u>7,131,063</u>	<u>55,612</u>	<u>(650,000)</u>	<u>6,536,675</u>	<u>530,000</u>
Compensated Absences	1,259,741	0	(111,127)	1,148,614	61,413
Capital Lease Payable	<u>209,548</u>	<u>563,194</u>	<u>(150,311)</u>	<u>622,431</u>	<u>152,610</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 8,600,352</u>	<u>\$ 618,806</u>	<u>\$ (911,438)</u>	<u>\$ 8,307,720</u>	<u>\$ 744,023</u>

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

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

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

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

Capital lease payable will be paid from the general fund and the permanent improvement fund.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14: LONG-TERM OBLIGATIONS (Continued)**

**Capital Appreciation Bonds**

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

Since the interest associated with these bonds is earned and compounded semiannually, the value of the bond increases in proportion to the interest. Therefore, as the value increases, the accretion is recorded as principal. The accretion amount for fiscal year 2005 is \$55,612 and the total accretion amount is \$62,869.

The District's overall legal debt margin was \$27,505,084 at June 30, 2005.

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

Year ending June 30,		School Improvement Refunding Bonds			Capital Appreciation Bonds		
		Principal	Interest	Total	Principal	Interest	Total
2006		530,000	187,120	717,120	0	0	0
2007		540,000	175,745	715,745	0	0	0
2008		550,000	162,795	712,795	0	0	0
2009		565,000	147,445	712,445	0	0	0
2010-2014		1,790,000	495,163	2,285,163	498,806	776,194	1,275,000
2015-2017		2,000,000	123,938	2,123,938	0	0	0
Total		<u>\$ 5,975,000</u>	<u>\$ 1,292,206</u>	<u>\$ 7,267,206</u>	<u>\$ 498,806</u>	<u>\$ 776,194</u>	<u>\$ 1,275,000</u>

**NOTE 15: CAPITALIZED LEASES – LESSEE DISCLOSURE**

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

These assets have been capitalized in the governmental capital assets in the amount of \$771,648, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease.



**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 15: CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)**

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005:

		Copiers	Boilers	Total
Year ending June 30,	2006	\$ 38,256	\$ 137,995	\$ 176,251
	2007	38,256	137,995	176,251
	2008	38,256	137,995	176,251
	2009	38,256	114,586	152,842
		153,024	528,571	681,595
Less amount representing interest		15,377	43,787	59,164
Present value of minimum lease payments		\$ 137,647	\$ 484,784	\$ 622,431

**NOTE 16: INTERFUND BALANCES AND TRANSFERS**

As of June 30, 2005, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	Receivable	Payable
<b>Fund:</b>		
General	\$ 124,828	\$ 0
Other Governmental:		
Food Service	0	22,270
Title VI-B	0	60,422
Student Reading	0	3,905
Title I	0	31,954
Title V	0	561
Title II	0	5,716
Totals	\$ 124,828	\$ 124,828

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

During fiscal year 2005, the general fund transferred \$138,000 to the food service fund to cover operating expenses.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 17: JOINTLY GOVERNED ORGANIZATIONS**

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Educational Service Center, which serves as fiscal agent, located in Steubenville, Ohio. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$66,828 for services provided during fiscal year 2005.

**B. Buckeye Career Center**

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

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

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

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

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**NOTE 18: INSURANCE PURCHASING POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**B. East Ohio Schools Employees Insurance Consortium**

The District participates in the East Ohio Schools Employees Insurance Consortium (EOSEIC), an insurance purchasing pool. The consortium was established in fiscal year 2003 to obtain and maintain an insurance purchasing program to maximize benefits and/or reduce the costs of health, dental, life and/or other group insurance coverage for employees and their eligible dependents and designated beneficiaries. The consortium members are Dover City School District, Buckeye Joint Vocational School District and Garaway Local School District. The Board of Directors is the governing body. The Board of Education of each member appoints its superintendent or superintendent's designee to be its representative on the Board of Directors. The EOSEIC's business and affairs are conducted by the third party administrator, Klais and Company, Inc. Each year the participating school districts pay an enrollment fee to the third party administrator to cover the costs of administering the program. For fiscal year 2004, the School District paid a \$3,000 enrollment fee to the third party administrator.

**NOTE 19: RELATED ORGANIZATION**

**The Dover Public Library**

The Dover Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of Dover Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2005.

**NOTE 20: CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**DOVER CITY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 20: CONTINGENCIES (Continued)**

**B. Litigation**

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

**NOTE 21: STATUTORY RESERVES**

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

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

	Textbooks	Capital Acquisition	Totals
Set-Aside Reserve Balance as of June 30, 2004	\$ 0	\$ 270,885	\$ 270,885
Current Year Set-Aside Requirement	360,167	360,167	720,334
Balance Carried over from Prior Year	(545,829)	0	(545,829)
Current Year Offsets	0	(85,744)	(85,744)
Qualifying Disbursements	(257,459)	(283,488)	(540,947)
<b>Totals</b>	<b>\$ (443,121)</b>	<b>\$ 261,820</b>	<b>\$ (181,301)</b>
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ (443,121)	\$ 261,820	
Set-Aside Reserve Balance as of June 30, 2005	\$ 0	\$ 261,820	

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

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

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1-S1-2004	84.010	\$22,909		\$60,719	
	C1-S1-2005		299,949		269,075	
<i>Total Title I Grants to Local Educational Agencies</i>			322,858		329,794	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	6B-SF-2004	84.027	27,431		56,056	
	6B-SF-2005		501,363		445,616	
<i>Total Special Education - Grants to States (IDEA Part B)</i>			528,794		501,672	
Special Education - Preschool Grants	PG-S1-2005	84.173	14,164		14,164	
<i>Total Special Education Cluster</i>			542,958		515,836	
Safe and Drug Free Schools and Communities State Grants	DR-S1-2004	84.186	371		454	
	DR-S1-2005		11,313		9,762	
<i>Total Safe and Drug Free Schools and Communities State Grants</i>			11,684		10,216	
Innovative Education Program Strategies	C2-S1-2004	84.298	4,030		2,531	
	C2-S1-2005		11,053		10,190	
<i>Total Innovative Education Program Strategies</i>			15,083		12,721	
Technology Literacy Challenge Fund Grants	TJ-S1-2005	84.318	8,430		8,430	
Improving Teacher Quality State Grants	TR-S1-2004	84.367	8,707		15,886	
	TR-S1-2005		86,860		81,275	
<i>Total Improving Teacher Quality State Grants</i>			95,567		97,161	
<b>Total U.S. Department of Education</b>			<b>996,580</b>		<b>974,158</b>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
(Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program	N/A	93.778	90,396		90,396	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
(Passed Through Ohio Department of Education)						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550		\$47,772		\$47,772
School Breakfast Program	N/A	10.553	3,651		3,651	
National School Lunch Program	N/A	10.555	166,370		166,370	
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>170,021</b>	<b>47,772</b>	<b>170,021</b>	<b>47,772</b>
<b>Total</b>			<b>\$1,256,997</b>	<b>\$47,772</b>	<b>\$1,234,575</b>	<b>\$47,772</b>

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

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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



**Auditor of State  
Betty Montgomery**

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

Dover City School District  
Tuscarawas County  
219 West 6<sup>th</sup> Street  
Dover, Ohio 44622

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dover City School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated November 18, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated November 18, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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Dover City School District  
Tuscarawas County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

November 18, 2005





## Auditor of State Betty Montgomery

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

Dover City School District  
Tuscarawas County  
219 West 6<sup>th</sup> Street  
Dover, Ohio 44622

To the Board of Education:

#### Compliance

We have audited the compliance of Dover City School District, Tuscarawas County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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

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

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

**Betty Montgomery**  
Auditor of State

November 18, 2005

**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs= Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<i>Special Education Cluster: Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grants, CFDA # 84.173</i>
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

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

None.





**Auditor of State  
Betty Montgomery**

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**DOVER CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2005**