



Dave Yost • Auditor of State

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
JUNE 30, 2016**

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

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Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The discussion and analysis of the Dover City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position increased \$637,338, which represents a 4 percent increase from 2015.
- Capital assets decreased \$295,916 during fiscal year 2016.
- During the fiscal year, outstanding debt decreased from \$1,360,000 to \$695,000 due to principal payments made by the School District.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and Other Assets	\$ 25,266,261	\$ 25,261,013
Capital Assets	8,306,720	8,602,636
<i>Total Assets</i>	33,572,981	33,863,649
Deferred Outflows of Resources		
Pension	3,960,840	2,337,091
Liabilities		
Current and Other Liabilities	3,730,132	3,807,548
Long-Term Liabilities:		
Due Within One Year	934,506	896,901
Due in More Than One Year		
Net Pension Liability	35,710,775	31,051,998
Other Amounts	1,634,789	2,245,100
<i>Total Liabilities</i>	42,010,202	38,001,547
Deferred Inflows of Resources		
Property Taxes and Other	10,118,108	10,140,765
Pension	2,355,971	5,646,226
<i>Total Deferred Inflows of Resources</i>	12,474,079	15,786,991
Net Position		
Net Investment in Capital Assets	7,508,978	7,175,036
Restricted	1,608,331	1,549,188
Unrestricted	(26,067,769)	(26,312,022)
<i>Total Net Position</i>	\$ (16,950,460)	\$ (17,587,798)

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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

At year end, capital assets represented 25 percent of total assets. Capital assets include land, buildings and building improvements, improvements other than buildings, furniture and fixtures and vehicles. Net investment in capital assets was \$7,508,978 at June 30, 2016. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1,608,331, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit balance of \$26,067,769. Deferred outflows and deferred inflows related to pension also fluctuated due to factors outside of the School District's control as they relate to GASB 68.

Long-term liabilities increased \$4,086,071. The increase is due to an increase in net pension liability offset by principal payments on debt paid by the School District in fiscal year 2016.

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Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,020,145	\$ 1,040,061
Operating Grants	3,326,764	3,317,461
Capital Grants	0	255,347
<i>Total Program Revenues</i>	<u>4,346,909</u>	<u>4,612,869</u>
<i>General Revenues:</i>		
Property Taxes	12,129,330	12,416,518
Grants and Entitlements Not Restricted	9,832,895	9,452,643
Other	86,749	96,320
<i>Total General Revenues</i>	<u>22,048,974</u>	<u>21,965,481</u>
<i>Total Revenues</i>	<u>26,395,883</u>	<u>26,578,350</u>
Program Expenses		
<i>Instruction:</i>		
Regular	12,936,323	12,347,062
Special	2,767,460	2,574,569
Vocational	56,184	83,591
Student Intervention Services	202,471	325,933
Other	542,856	547,524
<i>Support Services:</i>		
Pupils	816,820	771,710
Instructional Staff	665,663	512,828
Board of Education	54,017	43,419
Administration	2,096,000	2,027,846
Fiscal	695,715	575,797
Operation and Maintenance of Plant	1,957,854	1,903,141
Pupil Transportation	840,046	925,089
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	831,613	828,698
Community Services	141,016	140,017
Extracurricular Activities	1,104,602	1,171,093
<i>Debt Service:</i>		
Interest and Fiscal Charges	49,905	69,481
<i>Total Expenses</i>	<u>25,758,545</u>	<u>24,847,798</u>
<i>Increase in Net Position</i>	637,338	1,730,552
<i>Net Position (Deficit) at Beginning of Year</i>	<u>(17,587,798)</u>	<u>(19,318,350)</u>
<i>Net Position (Deficit) at End of Year</i>	<u>\$ (16,950,460)</u>	<u>\$ (17,587,798)</u>

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The decrease in capital grants can be attributed to the donation of playground equipment and the concession stand made to the School District during fiscal year 2015.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
Instruction:				
Regular	\$ 12,936,323	\$ 12,347,062	\$ 12,318,974	\$ 11,532,171
Special	2,767,460	2,574,569	1,040,594	920,446
Vocational	56,184	83,591	19,358	(6,765)
Student Intervention Services	202,471	325,933	64,549	143,855
Other	542,856	547,524	370,380	365,236
Support Services:				
Pupils	816,820	771,710	651,681	691,408
Instructional Staff	665,663	512,828	665,663	512,828
Board of Education	54,017	43,419	54,017	43,419
Administration	2,096,000	2,027,846	2,032,054	2,001,734
Fiscal	695,715	575,797	695,715	575,797
Operation and Maintenance of Plant	1,957,854	1,903,141	1,948,854	1,894,141
Pupil Transportation	840,046	925,089	825,752	841,069
Operation of Non-Instructional Services:				
Food Service Operations	831,613	828,698	(37,219)	10,427
Community Services	141,016	140,017	(13,268)	(23,621)
Extracurricular Activities	1,104,602	1,171,093	724,627	663,303
Debt Service:				
Interest and Fiscal Charges	49,905	69,481	49,905	69,481
<i>Total Expenses</i>	<u>\$ 25,758,545</u>	<u>\$ 24,847,798</u>	<u>\$ 21,411,636</u>	<u>\$ 20,234,929</u>

The dependence upon general revenues for governmental activities is apparent. Over 83 percent of governmental activities are supported through taxes and other general revenues; such revenues are 84 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,496,551 and expenditures of \$26,596,066 for the fiscal year. The net change in fund balances for the fiscal year was a decrease of \$22,735 for all governmental funds .

The general fund's net change in fund balance for fiscal year 2016 was a decrease of \$95,828 primarily due to the increase in capital outlay.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue and other financing sources of \$22,610,389 was higher than the final budget basis revenue by \$37,881, mostly due to an increase in property and other local tax revenue.

Final appropriations and other financing uses of \$23,678,044 were \$105,152 lower than the actual expenditures of \$23,783,196.

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Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$8,306,720 invested in capital assets, net of depreciation. Table 4 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 517,106	\$ 517,106
Land Improvements	6,685,254	83,922
Buildings and Building Improvements	73,986	7,000,455
Furniture and Fixtures	610,848	607,136
Vehicles	419,526	394,017
<i>Totals</i>	\$ 8,306,720	\$ 8,602,636

The \$295,916 decrease in capital assets was attributable to current year depreciation exceeding additions. See Note 7 for more information about the capital assets of the School District.

Debt

At June 30, 2016, the School District had \$695,000 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2016	2015
2004 School Improvement Refunding Bonds	\$ 695,000	\$ 1,360,000

Dover City School District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Current Issues

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

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 46 percent of revenues for governmental activities for the Dover City School District in fiscal year 2016.

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

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

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

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

Contacting the School District's Financial Management

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

Dover City School District
Tuscarawas County, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 10,378,758
Cash and Cash Equivalents with Fiscal Agent	2,634,379
Receivables:	
Accounts	8,798
Intergovernmental	156,306
Property Taxes	12,088,020
Nondepreciable Capital Assets	517,106
Depreciable Capital Assets (Net)	7,789,614
<i>Total Assets</i>	33,572,981
 Deferred Outflows of Resources	
Pension	3,960,840
 Liabilities	
Accounts Payable	144,159
Accrued Wages and Benefits	2,854,915
Intergovernmental Payable	444,005
Accrued Vacation Leave Payable	22,672
Matured Compensated Absences Payable	26,850
Accrued Interest Payable	2,375
Claims Payable	235,156
Long Term Liabilities:	
Due Within One Year	934,506
Due In More Than One Year:	
Net Pension Liability (See Note 10)	35,710,775
Other Amounts Due in More Than One Year	1,634,789
<i>Total Liabilities</i>	42,010,202
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	10,118,108
Pension	2,355,971
<i>Total Deferred Inflows of Resources</i>	12,474,079
 Net Position	
Net Investment in Capital Assets	7,508,978
Restricted For:	
Capital Outlay	445,764
Debt Service	549,248
Other Purposes	613,319
Unrestricted	(26,067,769)
<i>Total Net Position</i>	\$ (16,950,460)

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 12,936,323	\$ 137,624	\$ 479,725	\$ (12,318,974)
Special	2,767,460	0	1,726,866	(1,040,594)
Vocational	56,184	0	36,826	(19,358)
Student Intervention Services	202,471	0	137,922	(64,549)
Other	542,856	172,476	0	(370,380)
Support Services:				
Pupils	816,820	0	165,139	(651,681)
Instructional Staff	665,663	0	0	(665,663)
Board of Education	54,017	0	0	(54,017)
Administration	2,096,000	0	63,946	(2,032,054)
Fiscal	695,715	0	0	(695,715)
Operation and Maintenance of Plant	1,957,854	0	9,000	(1,948,854)
Pupil Transportation	840,046	7,706	6,588	(825,752)
Operation of Non-Instructional Services:				
Food Service Operations	831,613	322,535	546,297	37,219
Community Services	141,016	0	154,284	13,268
Extracurricular Activities	1,104,602	379,804	171	(724,627)
Debt Service:				
Interest and Fiscal Charges	49,905	0	0	(49,905)
Total	\$ 25,758,545	\$ 1,020,145	\$ 3,326,764	(21,411,636)

General Revenues

Property Taxes Levied for:

General Purposes	11,535,260
Debt Service	472,351
Capital Outlay	121,719
Grants and Entitlements Not Restricted to Specific Programs	9,832,895
Investment Earnings	17,164
Miscellaneous	69,585
Total General Revenues	22,048,974

Change in Net Position

637,338

Net Position Beginning of Year

(17,587,798)

Net Position End of Year

\$ (16,950,460)

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 8,535,234	\$ 1,843,524	\$ 10,378,758
Receivables:			
Accounts	8,714	84	8,798
Interfund	152,335	0	152,335
Intergovernmental	3,971	152,335	156,306
Property Taxes	11,494,454	593,566	12,088,020
<i>Total Assets</i>	<u>\$ 20,194,708</u>	<u>\$ 2,589,509</u>	<u>\$ 22,784,217</u>
Liabilities			
Accounts Payable	\$ 109,877	\$ 34,282	\$ 144,159
Accrued Wages and Benefits	2,611,771	243,144	2,854,915
Intergovernmental Payable	408,719	35,286	444,005
Matured Compensated Absences Payable	25,550	1,300	26,850
Interfund Payable	0	152,335	152,335
<i>Total Liabilities</i>	<u>3,155,917</u>	<u>466,347</u>	<u>3,622,264</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	9,621,271	496,837	10,118,108
Unavailable Revenue	191,880	9,908	201,788
<i>Total Deferred Inflows of Resources</i>	<u>9,813,151</u>	<u>506,745</u>	<u>10,319,896</u>
Fund Balances			
Restricted	0	1,634,265	1,634,265
Assigned	1,926,576	0	1,926,576
Unassigned	5,299,064	(17,848)	5,281,216
<i>Total Fund Balances</i>	<u>7,225,640</u>	<u>1,616,417</u>	<u>8,842,057</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 20,194,708</u>	<u>\$ 2,589,509</u>	<u>\$ 22,784,217</u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances		\$ 8,842,057
 <i>Amounts reported for governmental activities in the</i> <i>Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,306,720
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. Property Taxes		201,788
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the <i>Statement of Net Position</i> .		2,399,223
In the <i>Statement of Activities</i> , interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(2,375)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	3,960,840	
Deferred Inflows - Pension	(2,355,971)	
Net Pension Liability	(35,710,775)	(34,105,906)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(695,000)	
Capital Lease Obligation	(102,742)	
Vacations Payable	(22,672)	
Compensated Absences	(1,771,553)	(2,591,967)
<i>Net Position of Governmental Activities</i>		\$ (16,950,460)

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 11,642,476	\$ 600,146	\$ 12,242,622
Intergovernmental	10,775,912	2,374,344	13,150,256
Investment Income	4,540	732	5,272
Tuition and Fees	145,330	0	145,330
Extracurricular Activities	172,476	379,805	552,281
Charges for Services	0	322,535	322,535
Contributions and Donations	21,061	171	21,232
Miscellaneous	56,048	975	57,023
<i>Total Revenues</i>	<u>22,817,843</u>	<u>3,678,708</u>	<u>26,496,551</u>
Expenditures			
Current:			
Instruction:			
Regular	12,449,374	481,007	12,930,381
Special	2,171,391	630,824	2,802,215
Vocational	13,037	43,147	56,184
Student Intervention Services	70,338	137,343	207,681
Other	543,933	0	543,933
Support Services:			
Pupils	768,354	71,544	839,898
Instructional Staff	671,100	0	671,100
Board of Education	54,017	0	54,017
Administration	2,088,694	33,787	2,122,481
Fiscal	681,037	14,050	695,087
Operation and Maintenance of Plant	1,840,791	192,225	2,033,016
Pupil Transportation	806,957	1,258	808,215
Extracurricular Activities	698,153	318,355	1,016,508
Operation of Non-Instructional Services:			
Food Service Operations	0	832,313	832,313
Community Services	0	142,967	142,967
Capital Outlay	81,311	0	81,311
Debt Service:			
Principal Retirement	41,638	665,000	706,638
Interest and Fiscal Charges	10,326	41,795	52,121
<i>Total Expenditures</i>	<u>22,990,451</u>	<u>3,605,615</u>	<u>26,596,066</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(172,608)	73,093	(99,515)
Other Financing Sources			
Inception of Capital Lease	76,780	0	76,780
<i>Net Change in Fund Balance</i>	(95,828)	73,093	(22,735)
<i>Fund Balances Beginning of Year</i>	<u>7,321,468</u>	<u>1,543,324</u>	<u>8,864,792</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,225,640</u>	<u>\$ 1,616,417</u>	<u>\$ 8,842,057</u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	(22,735)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the <i>Statement of Activities</i> , the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 207,973	
Current Year Depreciation	<u>(491,224)</u>	(283,251)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the <i>Statement of Activities</i> , a gain or loss is reported for each disposal.		
		(12,665)
Revenues in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		(113,292)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the <i>Statement of Net Position</i> .		
General Obligation Bonds	665,000	
Capital Leases	<u>41,638</u>	706,638
Debt proceeds issued in the governmental funds that increase long-term liabilities in the <i>Statement of Net Position</i> are not reported as revenues.		
Inception of Capital Lease		(76,780)
Contractually required contributions are reported as expenditures in governmental funds; however, the <i>Statement of Net Position</i> reports these amounts as deferred outflows.		
		2,057,194
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the <i>Statement of Activities</i> .		
		(1,801,966)
In the <i>Statement of Activities</i> , interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		2,216
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide <i>Statement of Activities</i> . Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		223,069
Some expenses reported in the <i>Statement of Activities</i> do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(57,153)	
Vacations Payable	<u>16,063</u>	<u>(41,090)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>637,338</u></u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 11,405,000	\$ 11,405,000	\$ 11,491,851	\$ 86,851
Intergovernmental	10,741,561	10,741,561	10,771,941	30,380
Investment Income	3,000	3,000	4,540	1,540
Tuition and Fees	23,000	23,000	33,912	10,912
Charges for Services	80,000	80,000	0	(80,000)
Contributions and Donations	7,000	7,000	8,500	1,500
Miscellaneous	80,000	80,000	67,697	(12,303)
<i>Total Revenues</i>	<u>22,339,561</u>	<u>22,339,561</u>	<u>22,378,441</u>	<u>38,880</u>
Expenditures				
Current:				
Instruction:				
Regular	12,548,192	12,548,192	12,621,701	(73,509)
Special	2,309,457	2,309,457	2,242,780	66,677
Vocational	16,080	16,080	13,112	2,968
Student Intervention Services	0	87,776	91,168	(3,392)
Other	419,159	331,383	394,020	(62,637)
Support Services:				
Pupils	790,461	790,461	831,440	(40,979)
Instructional Staff	747,149	747,149	746,544	605
Board of Education	130,000	130,000	68,129	61,871
Administration	2,154,241	2,154,241	2,189,264	(35,023)
Fiscal	664,239	664,239	710,445	(46,206)
Operation and Maintenance of Plant	2,060,706	2,060,706	2,118,097	(57,391)
Pupil Transportation	920,748	920,748	886,556	34,192
Extracurricular Activities	712,612	712,612	699,105	13,507
Capital Outlay	0	0	18,500	(18,500)
<i>Total Expenditures</i>	<u>23,473,044</u>	<u>23,473,044</u>	<u>23,630,861</u>	<u>(157,817)</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(1,133,483)</u>	<u>(1,133,483)</u>	<u>(1,252,420)</u>	<u>(118,937)</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	1,000	1,000	0	(1,000)
Advances In	231,947	231,947	231,948	1
Advances Out	(205,000)	(205,000)	(152,335)	52,665
<i>Total Other Financing Sources (Uses)</i>	<u>27,947</u>	<u>27,947</u>	<u>79,613</u>	<u>51,666</u>
<i>Net Change in Fund Balance</i>	<u>(1,105,536)</u>	<u>(1,105,536)</u>	<u>(1,172,807)</u>	<u>(67,271)</u>
<i>Fund Balance Beginning of Year</i>	8,280,431	8,280,431	8,280,431	0
Prior Year Encumbrances Appropriated	401,268	401,268	401,268	0
<i>Fund Balance End of Year</i>	<u>\$ 7,576,163</u>	<u>\$ 7,576,163</u>	<u>\$ 7,508,892</u>	<u>\$ (67,271)</u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2016

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 2,634,379
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	235,156
Net Position	
Unrestricted	\$ 2,399,223

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$ 3,783,905</u>
Operating Expenses	
Purchased Services	665,279
Claims	<u>2,908,181</u>
<i>Total Operating Expenses</i>	<u>3,573,460</u>
<i>Operating Income</i>	<u>210,445</u>
Non-Operating Revenues	
Interest	<u>12,624</u>
<i>Change in Net Position</i>	223,069
<i>Net Position Beginning of Year</i>	<u>2,176,154</u>
<i>Net Position End of Year</i>	<u><u>\$ 2,399,223</u></u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 3,783,905
Cash Paid for Goods and Services	(665,279)
Cash Paid for Claims	<u>(2,845,343)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>273,283</u>
Cash Flows From Investing Activities	
Interest on Investments	<u>12,624</u>
<i>Net Increase in Cash and Cash Equivalents</i>	285,907
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>2,348,472</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 2,634,379</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 210,445
Increase in Liabilities:	
Claims Payable	<u>62,838</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 273,283</u></u>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 393,177	\$ 148,543
Investments in Segregated Accounts	17,385	0
<i>Total Assets</i>	<u>410,562</u>	<u>\$ 148,543</u>
Liabilities		
Accounts Payable	0	\$ 33,293
Due to Students	0	115,250
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 148,543</u>
Net Position		
Held in Trust for Scholarships	<u>\$ 410,562</u>	

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 25,108
Investment Earnings	760
	25,868
<i>Total Additions</i>	<i>25,868</i>
Deductions	
Payments in Accordance with Trust Agreements	32,325
	(6,457)
<i>Change in Net Position</i>	<i>(6,457)</i>
<i>Net Position Beginning of Year</i>	<i>417,019</i>
<i>Net Position End of Year</i>	<i>\$ 410,562</i>

See accompanying notes to the basic financial statements.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

The School District is involved with Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), Buckeye Joint Vocational School District, and Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Dover Public Library is a related organization of the School District. Additional information about these organizations is presented in Notes 16, 17 and 18 to the basic financial statements.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide *Statement of Net Position* and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds *Balance Sheet*, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide *Statement of Net Position*. (See Note 10).

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

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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 School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2016, investments were limited to STAR Plus, a savings account and an annuity.

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

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

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 2016 amounted to \$4,540 which includes \$780 assigned from other School District funds.

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

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

F. Capital Assets

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

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

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

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

G. Interfund Balances

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

H. Compensated Absences

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

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

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

I. Pensions

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

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J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2016, there was no net position restricted by enabling legislation.

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

L. Fund Balance

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

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

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

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

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

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

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

M. 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.

N. 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 2016.

O. 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.

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P. Budgetary Data

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

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

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

Q. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the School District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

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GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ (95,828)
Net Adjustment for Revenue Accruals	(1,199)
Net Adjustment for Expenditure Accruals	(168,594)
Funds Budgeted Elsewhere	16,673
Adjustment for Encumbrances	<u>(923,859)</u>
Budget Basis	<u>\$ (1,172,807)</u>

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

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NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
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 forty percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2016, the School District and public depositories complied with the provisions of these statutes.

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

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

At fiscal year-end, the carrying amount of the School District's deposits was \$10,920,228. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$8,999,182 of the School District's bank balance of \$11,000,457 was exposed to custodial risk as discussed below, while \$2,001,275 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$1,251,275 held in a STAR Plus account.

Investments As of June 30, 2016, the School District had the following investment and maturity:

Investment Type	Measurement Amount	Maturity (in Months) 0-12	Percent of Total
Annuity	\$ 17,385	\$ 17,385	100.00%

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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2016. All investments of the School District are valued using quoted market prices (Level 1 inputs).

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

Credit Risk. The School District's annuity is an unrated investment.

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

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. During the fiscal year, the School District's only investment was an annuity.

Funds Held by Fiscal Agent

The School District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$2,634,379. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 5: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 in the general, bond retirement and permanent improvement funds was \$1,681,303, \$69,532, and \$17,289, respectively. The amount available for advance at June 30, 2015, in the general, bond retirement and permanent improvement funds was \$1,530,678, \$65,552, and \$16,246, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 337,290,010	99%	\$ 338,651,780	98%
Public Utility Personal Property	<u>4,411,900</u>	<u>1%</u>	<u>7,341,040</u>	<u>2%</u>
Total	<u>\$ 341,701,910</u>	<u>100%</u>	<u>\$ 345,992,820</u>	<u>100%</u>
Full Tax Rate Per \$1,000 of assessed valuation	<u>\$ 59.17</u>		<u>\$ 58.97</u>	

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NOTE 6: RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts (student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All are expected to be received within one year.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 06/30/2015	Additions	Deletions	Balance 06/30/2016
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 517,106	\$ 0	\$ 0	\$ 517,106
<i>Capital Assets being depreciated</i>				
Buildings and Building Improvements	16,055,933	0	0	16,055,933
Improvements Other Than Buildings	214,197	0	0	214,197
Furniture and Fixtures	1,558,070	94,180	(36,679)	1,615,571
Vehicles	1,241,203	113,793	(89,950)	1,265,046
<i>Total Capital Assets being depreciated</i>	<u>19,069,403</u>	<u>207,973</u>	<u>(126,629)</u>	<u>19,150,747</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(9,055,478)	(315,201)	0	(9,370,679)
Improvements Other Than Buildings	(130,275)	(9,936)	0	(140,211)
Furniture and Fixtures	(950,934)	(86,800)	33,011	(1,004,723)
Vehicles	(847,186)	(79,287)	80,953	(845,520)
<i>Total Accumulated Depreciation</i>	<u>(10,983,873)</u>	<u>(491,224) *</u>	<u>113,964</u>	<u>(11,361,133)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>8,085,530</u>	<u>(283,251)</u>	<u>(12,665)</u>	<u>7,789,614</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 8,602,636</u>	<u>\$ (283,251)</u>	<u>\$ (12,665)</u>	<u>\$ 8,306,720</u>

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*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 255,793
Special	12,914
Support Services:	
Pupils	4,660
Instructional Staff	590
Administration	10,461
Fiscal Services	326
Operation and Maintenance of Plant	13,523
Pupil Transportation	82,978
Operation of Non-Instructional Services:	
Food Service Operations	7,566
Extracurricular Activities	102,413
Total Depreciation Expense	\$ 491,224

NOTE 8: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$90,599,283. The School District's vehicle insurance policy limit is \$1,000,000 with a \$250 comprehensive deductible. All board members, administrators, and employees are covered under a School District liability policy. Additionally, the School District carries a \$4,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

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

C. Workers' Compensation

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

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For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

D. Employee Medical Benefits

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$235,156 reported in the internal service fund at June 30, 2016, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2016 and 2015 are as follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2015	\$ 462,824	\$ 2,657,531	\$ 2,948,037	\$ 172,318
2016	172,318	2,908,181	2,845,343	235,156

NOTE 9: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

NOTE 10: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$374,314 for fiscal year 2016. Of this amount, \$36,659 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,682,880 for fiscal year 2016. Of this amount, \$282,464 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 30,861,106	\$ 4,849,669	\$ 35,710,775
Proportion of the Net Pension Liability	0.11166560%	0.08499100%	
Pension Expense	\$ 1,452,482	\$ 349,484	\$ 1,801,966

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 1,403,640	\$ 78,331	\$ 1,481,971
Changes in proportion	421,675	0	421,675
School District contributions subsequent to the measurement date	1,682,880	374,314	2,057,194
Total Deferred Outflows of Resources	<u>\$ 3,508,195</u>	<u>\$ 452,645</u>	<u>\$ 3,960,840</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 2,157,273	\$ 165,331	\$ 2,322,604
Changes in proportion	0	33,367	33,367
Total Deferred Inflows of Resources	<u>\$ 2,157,273</u>	<u>\$ 198,698</u>	<u>\$ 2,355,971</u>

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\$2,057,194 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2017	\$ (375,787)	\$ (70,480)	\$ (446,267)
2018	(375,787)	(70,480)	(446,267)
2019	(375,785)	(70,856)	(446,641)
2020	795,401	91,450	886,851
	\$ (331,958)	\$ (120,367)	\$ (452,325)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 6,724,748	\$ 4,849,669	\$ 3,270,698

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Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District’s net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 42,868,404	\$ 30,861,106	\$ 20,707,144

NOTE 11: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$42,606, \$65,226 and \$42,503, respectively. For fiscal year 2016, 86 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$115,633, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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NOTE 12: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2016 were as follows:

	Outstanding 06/30/2015	Additions	Reductions	Outstanding 06/30/2016	Amount Due in One Year
General Obligation Bonds:					
2004 School Improvement Refunding					
Bonds - Serial Bonds 2.0-4.1%	\$ 1,360,000	\$ 0	\$ (665,000)	\$ 695,000	\$ 695,000
Net Pension Liability:					
STRS	26,712,492	4,148,614	0	30,861,106	0
SERS	4,339,506	510,163	0	4,849,669	0
Total Net Pension Liability	31,051,998	4,658,777	0	35,710,775	0
Compensated Absences	1,714,401	84,002	(26,850)	1,771,553	194,526
Capital Lease Payable	67,600	76,780	(41,638)	102,742	44,980
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 34,193,999</u>	<u>\$ 4,819,559</u>	<u>\$ (733,488)</u>	<u>\$ 38,280,070</u>	<u>\$ 934,506</u>

On May 11, 2004 the School District issued \$6,625,000 in School Improvement Refunding Bonds with an average interest rate of 3 percent along with \$498,806 in Capital Appreciation Bonds to refund \$7,125,000 of outstanding School Improvement Bonds with interest rates of 5.7 to 6.25 percent. The bonds were issued for a twelve-year period, with final maturity at December 1, 2016. The net proceeds of \$7,123,806 (after payment of \$162,088 in underwriting fees, insurance, and other issuance costs) were used to retire the original bonds. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from the *Statement of Net Position*. The principal balance outstanding on the defeased bonds at June 30, 2016 was \$770,000.

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

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

	School Improvement Refunding Bonds	
	Principal	Interest
2017	\$ 695,000	\$ 14,248

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

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

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Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Capital lease payable will be paid from the general fund.

The School District pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 13: CAPITALIZED LEASE

During fiscal year 2012, the School District traded in the existing copier lease on a new lease for copiers. The lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

These assets have been capitalized in the governmental capital assets in the amount of \$158,863, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the *Statement of Net Position* and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease. Accumulated depreciation was \$135,036 as of June 30, 2016, leaving a current book value of \$23,827.

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

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

These assets have been capitalized in the governmental capital assets in the amount of \$76,780, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the *Statement of Net Position* and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease. Accumulated depreciation was \$3,578 as of June 30, 2016, leaving a current book value of \$73,202.

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following is a schedule of the future long term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016:

		<u>Copiers</u>	<u>Telephones</u>	<u>Total</u>
Year ending June 30,	2017	\$ 35,436	\$ 24,792	\$ 60,228
	2018	0	24,792	24,792
	2019	0	24,792	24,792
	2020	0	24,792	24,792
	2021	0	8,264	8,264
		<u>35,436</u>	<u>107,432</u>	<u>142,868</u>
Less amount representing interest		<u>922</u>	<u>39,204</u>	<u>40,126</u>
Present value of minimum lease payments		<u>\$ 34,514</u>	<u>\$ 68,228</u>	<u>\$ 102,742</u>

NOTE 14: INTERFUND BALANCES

As of June 30, 2016, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

Fund:	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 152,335	\$ 0
Other Governmental:		
Title VI-B	0	53,070
Title I	0	81,878
Preschool Grant	0	2,916
Title II-A	0	14,471
Totals	<u>\$ 152,335</u>	<u>\$ 152,335</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the *Statement of Net Position*.

NOTE 15: FUND BALANCE

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

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 543,688	\$ 543,688
Capital Outlay	0	443,791	443,791
Special Education	0	278,164	278,164
Other Purposes	0	368,622	368,622
Total Restricted	0	1,634,265	1,634,265
Assigned for:			
Instruction	316,359	0	316,359
Support Services	485,232	0	485,232
Extracurricular	1,585	0	1,585
Facilities	13,969	0	13,969
Subsequent Year Appropriations	1,109,431	0	1,109,431
Total Assigned	1,926,576	0	1,926,576
Unassigned	5,299,064	(17,848)	5,281,216
<i>Total Fund Balance</i>	<i>\$ 7,225,640</i>	<i>\$ 1,616,417</i>	<i>\$ 8,842,057</i>

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member school districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Education Service Agency, Debra Angelo, who serves as Treasurer, 2230 Sunset Boulevard, Suite 2, Steubenville, Ohio 43952. The School District paid \$94,929 for services provided during fiscal year 2016.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Buckeye Joint Vocational School District (JVS)

The Buckeye Joint Vocational School District (JVS) is a jointly governed organization providing vocational services to its 11 school districts. The JVS is governed by a board of education comprised of eleven members appointed by the participating schools. The Board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the School District's continued participation and no measurable equity interest exists. During fiscal year 2016, the School District paid the JVS \$4,553 for services provided to the School District.

C. Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 36 members, consisting of three members appointed by the County Commissioners, 11 members appointed by municipal corporations, nine members appointed by township trustees, one member from the county auditor's office, 10 members appointed by boards of education located within the county, one member representing the Tuscarawas Community Improvement Corporation, and one member representing the Economic Development and Finance Alliance. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2016, no monies were paid to the TCTIRC from the School District.

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

NOTE 17: INSURANCE PURCHASING POOL

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

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

NOTE 18: RELATED ORGANIZATION

Dover Public Library

The Dover Public Library (the "Library") is a related organization to the School District. The school board members are responsible for appointing all the trustees of Dover Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during the fiscal year 2016.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 19: FUND DEFICITS

Fund balances at June 30, 2016 included the following individual fund deficit:

<i>Non-Major Special Revenue Funds:</i>	<i>Deficit</i>
Other Grants	\$ 1,113
Title VI-B	16,734
Title III	1
	\$ 17,848

The special revenue deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide transfers when cash is required, not when accruals occur.

NOTE 20: CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

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

C. Other Commitments

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

Fund	Amount
General	\$ 817,145
Other Governmental	90,839
	\$ 907,984

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

D. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 21: SET-ASIDES

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

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

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2015	\$ 0
Current Year Set-Aside Requirement	487,024
Current Year Qualifying Disbursements	(435,601)
Current Year Offsets	(145,628)
Totals	\$ (94,205)
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set-Aside Restricted Balance as of June 30, 2016	\$ 0

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

NOTE 22: SUBSEQUENT EVENTS

On December 8, 2016, the School District issued \$9,900,000 in general obligation bond anticipation notes. The notes bear an interest rate of 2.25% percent per annum and mature on May 4, 2017. The proceeds will be used on the Dover High School renovation project.

On February 15, 2017, the School District issued \$15,980,000 in general obligation bonds. The bonds bear interest rates ranging from 2% to 5% percent per annum and mature in various installments through December 1, 2046. The proceeds will be used on the Dover High School renovation project.

Dover City School District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

On March 13, 2017, the School District approved a resolution authorizing the Board of Education to enter into a resolution of acceptance in the Ohio School Facilities Commission (the Commission) Exceptional Needs Program. Pursuant to Ohio Revised Code Chapter 3318, the Commission has certified the State's conditional approval and project reservation amounts of \$20,302,957 in State share and \$17,295,111 in Local (School District) share, resulting in \$37,598,068 in total project reservations.

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

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

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,682,880	\$ 1,656,656	\$ 1,503,231	\$ 1,586,640
Contributions in Relation to the Contractually Required Contribution	<u>(1,682,880)</u>	<u>(1,656,656)</u>	<u>(1,503,231)</u>	<u>(1,586,640)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 12,020,571	\$ 11,833,257	\$ 11,563,315	\$ 12,204,923
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 374,314	\$ 386,335	\$ 390,153	\$ 425,483
Contributions in Relation to the Contractually Required Contribution	<u>(374,314)</u>	<u>(386,335)</u>	<u>(390,153)</u>	<u>(425,483)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 2,673,671	\$ 2,931,222	\$ 2,814,957	\$ 3,074,299
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,495,297	\$ 1,459,744	\$ 1,363,184	\$ 1,315,219	\$ 1,450,068	\$ 1,452,648
<u>(1,495,297)</u>	<u>(1,459,744)</u>	<u>(1,363,184)</u>	<u>(1,315,219)</u>	<u>(1,450,068)</u>	<u>(1,452,648)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 11,502,285	\$ 11,228,800	\$ 10,486,031	\$ 10,117,069	\$ 11,154,369	\$ 11,174,215
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 367,418	\$ 319,004	\$ 363,942	\$ 248,984	\$ 354,366	n/a
<u>(367,418)</u>	<u>(319,004)</u>	<u>(363,942)</u>	<u>(248,984)</u>	<u>(354,366)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 2,731,732	\$ 2,537,820	\$ 2,687,903	\$ 2,530,325	\$ 3,608,615	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a

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**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2015/2016	\$49,743
Cash Assistance:			
School Breakfast Program	10.553	2015/2016	101,031
National School Lunch Program	10.555	2015/2016	386,052
Cash Assistance Subtotal			<u>487,083</u>
Total Child Nutrition Cluster			<u>536,826</u>
Total U.S. Department of Agriculture			536,826
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Education Agencies	84.010	2015 S010A150035	78,891 <u>373,748</u>
Total Title I Grants to Local Educational Agencies			452,639
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	2015 H027A150111	75,307 <u>500,478</u>
Total Special Education - Grants to States (IDEA, Part B)			575,785
Special Education - Preschool Grants (IDEA Preschool)	84.173	2015 H173A150119	3,006 <u>5,855</u>
Total Special Education - Preschool Grants (IDEA Preschool)			8,861
Total Special Education Cluster (IDEA)			<u>584,646</u>
Twenty-First Century Community Learning Centers	84.287	2015 2016	8,483 <u>146,080</u>
Total Twenty-First Century Community Learning Centers			154,563
English Language Acquisition State Grants	84.365	2015 2016	1,535 <u>32,946</u>
Total English Language Acquisition State Grants			34,481
Improving Teacher Quality State Grants	84.367	2015 S367A150034	22,497 <u>54,205</u>
Total Improving Teacher Quality State Grants			76,702
Total U.S. Department of Education			<u>1,303,031</u>
Total Expenditures of Federal Awards			<u>\$1,839,857</u>

The accompanying notes are an integral part of this schedule.

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Dover City School District (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Dover City School District's, Tuscarawas County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Dover City School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Dover City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

**DOVER CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Special Education Cluster (IDEA) – CFDA #84.027 and 84.173 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

DOVER CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2017