



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Hopewell-Loudon Local School District  
Seneca County  
290 North County Road 7  
P.O. Box 440  
Bascom, Ohio 44809-9999

To the Board of Education:

We have audited the accompanying financial statements of Hopewell-Loudon Local School District (the District) as of and for the year ended June 30, 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the District prepares its financial report on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The District did not disclose the actuarially determined liabilities for its self insurance activities. In our opinion, disclosure of this information is required by Auditor of State Bulletin 2001-005.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Education and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

October 30, 2002

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND  
FUND CASH BALANCES - ALL FUND TYPES  
AS OF JUNE 30, 2001

<b>Cash and Investments</b>	<b><u>\$2,075,522</u></b>
<b>Governmental Fund Types:</b>	
General Fund	\$1,583,094
Special Revenue Funds	131,494
Debt Service Fund	238,931
Capital Projects Funds	7,383
<b>Proprietary Fund Types:</b>	
Enterprise Funds	7,520
Internal Service Fund	24,774
<b>Fiduciary Fund Types:</b>	
Expendable Trust Funds	28,426
Agency Funds	<u>53,900</u>
<b>Total</b>	<b><u>\$2,075,522</u></b>

*The notes to the financial statements are an integral part of this statement.*

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Cash Receipts</b>		
Local Sources:		
Taxes	\$2,080,168	
Tuition	260,398	
Earnings on Investment	118,075	
Miscellaneous Receipts	18,001	\$25,473
Extracurricular Activities		138,463
Classroom Materials and Fees	54,334	
Intergovernmental - State	2,483,795	91,835
Intergovernmental - Federal		54,165
Total Cash Receipts	<u>5,014,771</u>	<u>309,936</u>
<b>Cash Disbursements</b>		
Instruction:		
Regular	2,560,595	28,154
Special	240,421	89,977
Vocational Education	57,417	
Adult/Continuing		3,391
Other		1,126
Support Services:		
Pupils	279,327	5,930
Instructional Staff	75,508	63,268
Board of Education	10,095	
Administration	387,690	440
Fiscal	210,457	
Operation and Maintenance - Plant	580,687	1,388
Pupil Transportation	278,565	8,637
Community Service	46	
Extracurricular Activities	144,377	134,258
Facilities Acquisition and Construction Services	45,179	
Interest and Fiscal Charges		
Total Cash Disbursements	<u>4,870,364</u>	<u>336,569</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>144,407</u>	<u>(26,633)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from the Sale of Notes	200,000	
Transfers-in		4,311
Advance-in	3,939	33,094
Refund of Prior Year Expenditures	5,065	1,960
Transfer-out	(67,118)	
Advance-out	(33,470)	(3,939)
Total Other Financing Sources (Uses)	<u>108,416</u>	<u>35,426</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	252,823	8,793
Fund Cash Balances at July 1, 2000	1,330,271	122,701
<b>Fund Cash Balances at June 30, 2001</b>	<u><b>\$1,583,094</b></u>	<u><b>\$131,494</b></u>

*The notes to the financial statements are an integral part of this statement.*

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$157,534			\$2,237,702
			\$260,398
		\$1,418	119,493
		11,737	55,211
		445	\$138,908
			\$54,334
21,874	\$51,000		2,648,504
			54,165
<u>179,408</u>	<u>51,000</u>	<u>13,600</u>	<u>5,568,715</u>
			2,588,749
			330,398
			57,417
			3,391
			1,126
			285,257
	59,769		198,545
			10,095
		500	388,630
3,536			213,993
			582,075
			287,202
			46
		3,429	282,065
			45,179
<u>142,056</u>	<u></u>	<u></u>	<u>142,056</u>
<u>145,592</u>	<u>59,769</u>	<u>3,929</u>	<u>5,416,224</u>
<u>33,816</u>	<u>(8,769)</u>	<u>9,671</u>	<u>152,491</u>
			200,000
65,918			70,229
			37,033
			7,025
			(67,118)
			(37,409)
<u>65,918</u>	<u></u>	<u></u>	<u>209,760</u>
99,734	(8,769)	9,671	362,251
139,197	16,152	18,755	1,627,076
<u><b>\$238,931</b></u>	<u><b>\$7,383</b></u>	<u><b>\$28,426</b></u>	<u><b>\$1,989,327</b></u>

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
	<b>Operating Receipts</b>			
Tuition				
Extracurricular Activities	\$819		\$198,447	\$199,266
Food Service	177,786			177,786
Classroom Materials and Fees	3,812			3,812
	<u>182,417</u>		<u>198,447</u>	<u>380,864</u>
<b>Operating Expenses</b>				
Employees Salaries and Wages	91,452		135	91,587
Employees Retirement and Insurance	37,968	\$426		38,394
Purchased Services	4,306	49,648	32,343	86,297
Supplies and Materials	102,228		153,526	255,754
Capital Outlay	3,006		534	3,540
Other Objects	910		9,545	10,455
	<u>239,870</u>	<u>50,074</u>	<u>196,083</u>	<u>486,027</u>
Excess of Operating Receipts Over (Under) Operating Disbursements	<u>(57,453)</u>	<u>(50,074)</u>	<u>2,364</u>	<u>(105,163)</u>
<b>Nonoperating Receipts</b>				
Earnings on Investments		1,266		1,266
State Sources	3,422			3,422
Federal Sources	42,032			42,032
Refund of Prior Years Expenditures	27	120	189	336
Miscellaneous	750	53,410		54,160
	<u>46,231</u>	<u>54,796</u>	<u>189</u>	<u>101,216</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(11,222)</u>	<u>4,722</u>	<u>2,553</u>	<u>(3,947)</u>
Advance-in			376	376
Transfer-out			<u>(3,111)</u>	<u>(3,111)</u>
Net Receipts Over (Under) Disbursements	<u>(11,222)</u>	<u>4,722</u>	<u>(182)</u>	<u>(6,682)</u>
Fund Cash Balances at July 1, 2000	<u>18,742</u>	<u>20,052</u>	<u>54,082</u>	<u>92,876</u>
<b>Fund Cash Balances at June 30, 2001</b>	<u><b>\$7,520</b></u>	<u><b>\$24,774</b></u>	<u><b>\$53,900</b></u>	<u><b>\$86,194</b></u>

*The notes to the financial statements are an integral part of this statement.*

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Governmental Fund Types:</b>			
General Fund	\$5,111,289	\$5,219,836	\$108,547
Special Revenue Funds	422,900	316,207	(106,693)
Debt Service	237,000	245,326	8,326
Capital Projects Funds	58,767	51,000	(7,767)
<b>Proprietary Fund Types:</b>			
Enterprise Funds	250,680	228,648	(22,032)
Internal Service Funds	65,220	54,796	(10,424)
<b>Fiduciary Fund Types:</b>			
Trust and Agency Funds	211,309	212,236	927
<b>Total</b>	<b>\$6,357,165</b>	<b>\$6,328,049</b>	<b>(\$29,116)</b>

*The notes to the financial statements are an integral part of this statement.*

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Prior Year Carryover Appropriations</b>	<b>2001 Appropriations</b>	<b>Total</b>
<b>Governmental Fund Types:</b>			
General Fund	\$87,716	\$4,936,566	\$5,024,282
Special Revenue Funds	28,545	415,902	444,447
Debt Service Funds	750	159,250	160,000
Capital Projects Funds	190	62,010	62,200
<b>Proprietary Fund Types:</b>			
Enterprise Funds	70	225,430	225,500
Internal Service Fund	5,754	44,246	50,000
<b>Fiduciary Fund Types:</b>			
Trust and Agency Funds		245,421	245,421
<b>Total</b>	<b>\$123,025</b>	<b>\$6,088,825</b>	<b>\$6,211,850</b>

*The notes to the financial statements are an integral part of this statement.*

<u>Actual 2001 Disbursements</u>	<u>Encumbrances Outstanding at 6/30/01</u>	<u>Total</u>	<u>Variance: Favorable (Unfavorable)</u>
\$4,937,482	\$98,595	\$5,036,077	(\$11,795)
336,569	14,667	351,236	93,211
145,592		145,592	14,408
59,769	2,125	61,894	306
239,870	119	239,989	(14,489)
50,074		50,074	(74)
200,012		200,012	45,409
<u><b>\$5,969,368</b></u>	<u><b>\$115,506</b></u>	<u><b>\$6,084,874</b></u>	<u><b>\$126,976</b></u>

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**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Hopewell-Loudon Local School District (the District) is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to the residents of the District.

The District operates one instructional facility and provides educational services to students from grades 1 through 12.

The District believes these financial statements present all activities for which the District is accountable.

**B. Funds Reported**

**1. General Fund**

The general fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

**2. Special Revenue Funds**

Special revenue funds account for the proceeds of specific revenue sources (other than capital projects or trust funds) that are legally restricted to expenditures for specified purposes.

**3. Debt Service Funds**

Debt service funds account for financial resources to be used for the repayment of debt issued by the district.

**4. Capital Projects Funds**

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities.

**5. Enterprise Funds**

Enterprise funds account for operations which are financed and operated in a manner similar to private business enterprises and for which the District intends to support a material portion of the operating costs with user charges.

**6. Internal Service Funds**

Internal service funds account for operations of the self insurance vision and dental program.

**7. Expendable Trust Funds**

Expendable trust funds account for assets held in a trustee capacity.

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. Agency Funds**

Agency funds are used to account for custodial funds held by the District acting as the agent for another government, organization, individual, or fund.

**C. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its financial statements in accordance with generally accepted accounting principles, the District chooses to prepare its financial report on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status. This status requires the District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

These statements include adequate disclosures of material matters, as formerly prescribed or permitted by the Auditor of State.

**D. Budgetary Process**

**1. Budget**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**2. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001 and do not include the unencumbered fund balances as of July 1, 2001. However, those fund balances are available for appropriations.

**4. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

**5. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

**6. Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

State Statute permits 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 and 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2001, the District's investments were limited to certificates of deposit, STAR Ohio, and repurchase agreements. During the fiscal year, all investments of the District had a maturity of two years or less.

The carrying amount of cash and investments at June 30, 2001 was as follows:

	<u>2001</u>
Certificates of deposit	\$200,000
STAR Ohio	1,835,672
Repurchase agreement	<u>39,850</u>
Total investments	<u>1,875,522</u>
Total deposits and investments	<u><u>\$2,075,522</u></u>

The following information classifies deposits and investments by categories of risk.

**A. Deposits**

At year-end, the carrying amount of the District's deposits was \$200,000 as shown above and the bank balance was \$200,000. The bank balance was covered by federal depository insurance, by eligible securities pledged by the financial institution as security for repayment, and by pool collateral deposited with the financial institution.

**B. Investments**

The District's investments are categorized below to give an indication of the level of risk assumed at fiscal year end. Investments are usually categorized into three categories of credit risk:

- Category 1: Securities held by the District or its agent in the District's name.
- Category 2: Securities held by the counter party's trust department or agent in the District's name.
- Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$39,850	\$39,850	\$39,850
STAR Ohio		1,835,672	1,835,672
Total		\$1,875,522	\$1,875,522

**3. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, are levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Seneca County. The Seneca County Treasurer collects property taxes on behalf of the District. The Seneca County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**4. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2001, plan members contributed 9 percent of their annual-covered salary and the District contributed 14 percent. The District has paid all contributions required through June 30, 2001.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2001, members of STRS contributed 9.3 percent of their wages to the STRS. The District contributed an amount equal to 14 percent of their wages. The District has paid all contributions required through June 30, 2001.

**5. RISK MANAGEMENT**

**A. The District has obtained commercial insurance for the following risks:**

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**B. Employee Group Dental and Vision Insurance**

The District was self insured for dental and vision benefits to employees. The District established a Self Insurance internal service fund to account for and finance the dental and vision benefits program. Under the program, the Self Insurance fund provides coverage up to a maximum of \$1000 per individual, per year for dental insurance and various limits of coverage per individual, per year for vision insurance based on the service provided. The District reimburses the individuals for dental and vision services received up to their maximum limits.

No comparison of Self Insurance Fund cash and investments to the actuarially measured liability is provided.

**6. PUBLIC ENTITY RISK POOL**

**Workers' Compensation**

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

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirements that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**8. COMPLIANCE**

Contrary to Ohio law, as of June 30, 2001, the District did not obtain amendments to reduce/increase estimated resources for the following funds:

Name of Fund	Amount
General Fund	\$108,547
Ohio Reads Fund	(45,000)
Title I Fund	(26,228)
Miscellaneous Fund	(13,634)
Cafeteria Fund	(21,944)
Employee Benefit Plan Fund	(10,424)

Contrary to Ohio law, during the year ended June 30, 2001, the District did not consistently certify the availability of funds prior to a commitment being incurred.

The District was unable to locate certain public documents for the period under audit.

The District was unable to provide a comparison of the Self Insurance Fund cash and investments to the actuarially measured liability for the year ending June 30, 2001.

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital maintenance, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisitions	Budget Stabilization
Set-aside Cash balance as of June 30, 2000			\$92,894
Current Year Set-aside Requirement	\$114,546	\$114,546	
Current Year Offsets			
Qualifying Disbursements	(146,458)	(264,439)	
Total	(\$31,912)	(\$149,893)	\$92,894
Cash Balance Carried Forward to Fiscal Year 2002	(\$31,912)	(\$149,893)	\$92,894

Although the District has qualifying disbursements during the year that reduced the set-aside requirements below zero, only the amount for textbooks may be used to reduce the set-aside requirements of future years.

Senate Bill (S.B.) 345, 123rd General Assembly, eliminated the requirement for the Budget Stabilization set-aside. S.B. 345 places special restrictions of the use of Bureau of Workers Compensation (BWC) rebate money remaining in the Budget Stabilization Reserve as of April 10, 2001. This amount, \$92,894, is a restricted asset at June 30, 2001.

**10. LONG-TERM OBLIGATIONS**

The District had the following long term debt obligations at June 30, 2001:

FY 1987 School Building Addition Bonds

On July 1, 1986, the District issued \$1,800,000 in voted general obligation bonds for constructing a building addition. The bonds were issued under the authority of Ohio Revised Code section 133.09 for a twenty-two year period, with final maturity in fiscal year 2009. The bonds are being retired through the debt service fund.

FY 2001 Energy Conservation Loan

On November 1, 2000, the District obtained a loan, in the amount of \$200,000, from Fifth Third Bank to provide energy conservation measures for the District. The loan was issued under the authority of H.B.264 amended, Ohio Revised Code §§ 133.06G and 3313.372-373 for a ten year period, with final maturity in fiscal year 2011.

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

The following is a description of the District's general obligation debt outstanding as of June 30, 2001:

	Interest Rate	Outstanding 7/1/00	Retired	Issued	Outstanding 6/30/01
G.O. Bonds Payable	8.25%	\$725,000	\$85,000		\$640,000
Energy Conservation Loan	6.65%		7,200	\$200,000	192,800
Total		<u>\$725,000</u>	<u>\$92,200</u>	<u>\$200,000</u>	<u>\$832,800</u>

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation debt:

Fiscal Year Ending	Principal	Interest	Total
2002	\$95,028	\$62,130	\$157,158
2003	96,067	54,491	150,558
2004	97,151	46,807	143,958
2005	98,364	38,994	137,358
2006	99,634	31,124	130,758
2007-2011	346,553	47,606	394,159
Total	<u>\$832,797</u>	<u>\$281,152</u>	<u>\$1,113,949</u>



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Hopewell-Loudon Local School District  
Seneca County  
290 North County Road 7  
P.O. Box 440  
Bascom, Ohio 44809-9999

To the Board of Education:

We have audited the financial statements of Hopewell-Loudon Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 30, 2002, in which we noted that the District prepares its financial report on a basis of accounting formally prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles, and was qualified due to the District not disclosing the actuarially determined liabilities for its self insurance activities as required by Auditor of State Bulletin 2001-005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10574-001 through 2001-10574-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 30, 2002.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 30, 2002.

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

October 30, 2002

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-10574-001**

Ohio Administrative Code § 117-2-03(B) requires the School District to report on the generally accepted accounting principles basis of accounting. The District presented its financial statements on the cash basis. Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status. This status requires the District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

**FINDING NUMBER 2001-10574-002**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Twenty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all school disbursements receive certification of the fiscal officer that the funds are or will be available.

**FINDING NUMBER 2001-10574-003**

Ohio Revised Code § 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**FINDING NUMBER 2001-10574-003**  
**(Continued)**

As of June 30, 2001 the District should have received a reduced/increased amended certificate for the following funds:

<u>Fund</u>	<u>Amount</u>
General Fund	\$108,547
Ohio Reads Fund	(45,000)
Title I Fund	(26,228)
Miscellaneous Fund	(13,634)
Cafeteria Fund	(21,944)
Employee Benefit Plan Fund	(10,424)

As of June 30, 2001, fourteen other funds also had such variances in smaller relative amounts. To avoid over appropriating, we recommend the District obtain reduced and increased amended certificates when required.

**FINDING NUMBER 2001-10574-004**

Ohio Revised Code § 149.351 states that no public official may destroy public records, documents, or papers unless specifically authorized by law.

The District was unable to locate pay-ins from July 2000 to November 2000 and receipts from July 2000 to April 2001. This affected our testing of student activities, food service and miscellaneous revenue.

**FINDING NUMBER 2001-10574-005**

Ohio Revised Code § 9.833 requires individual self insured governments to calculate amounts required to cover dental and vision care benefits liabilities. It also requires programs to prepare a report, within 90 days after the fiscal year-end, reflecting those reserves and the disbursements made to pay self-insured claims, legal and consultant costs during the preceding fiscal year. An actuary must certify that the amounts reserved are fairly stated in accordance with sound loss reserving principles.

The District did not calculate amounts covering health care benefit liabilities and did not prepare a report reflecting those reserves as well as the disbursements made to pay self insurance claims, legal and consultant costs. The District also did not disclose this information in the notes to the financial statements.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 10, 2002**