

**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**



Dave Yost • Auditor of State

Board of Education
Hopewell-Loudon Local School District
290 North County Road 7
P.O. Box 400
Bascom, Ohio 44809

We have reviewed the *Independent Auditor's Report* of the Hopewell-Loudon Local School District, Seneca County, prepared by LublinSussman Group LLP, for the audit period July 1, 2011 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hopewell-Loudon Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 6, 2014

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LublinSussman Group LLP

Certified Public Accountants

3166 N. Republic Blvd.
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hopewell-Loudon Local School District
Seneca County
Bascom, Ohio 44809-0400

Report on the Financial Statements

We have audited the accompanying financial statements of Hopewell-Loudon Local School District, Seneca County (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 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 opinion.

www.lublinsussman.com

Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Terri S. Lee, CPA
Eric M. Golus, CPA

Members:
American Institute of Certified Public Accountants
AICPA—Private Companies Practice Section
Ohio Society of Certified Public Accountants

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using the cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Management has not considered the need to provide, nor do the financial statements include reporting governmental type funds by constraints placed upon the use of resources within the funds. However, as discussed in Note 1, accounting principles generally accepted in the United States of America require that governmental type funds are to be further classified as non-spendable, restricted, committed, assigned, and unassigned. The accompanying financial statements omit these fund balance classifications that, while material, we cannot determine at this time.

Adverse Opinion

In our opinion, because of the matters described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cashflows, where applicable, of the Hopewell-Loudon Local School District as of and for the years ended June 30, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

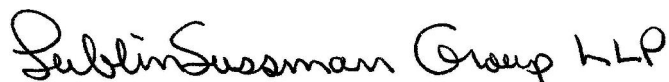
Other Matters

Required Supplementary Information

The Government also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 District's internal control over financial reporting and compliance.



March 27, 2014
Toledo, Ohio

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS, INVESTMENTS
 AND FUND CASH BALANCES - ALL FUND TYPES
 AS OF JUNE 30

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 4,369,515	\$10,037,627
Investments	<u>4,930,124</u>	<u>16,273,599</u>
Total	<u>\$ 9,299,639</u>	<u>\$26,311,226</u>
Governmental Fund Types:		
General Fund	\$ 3,553,020	\$ 3,679,984
Special Revenue Fund	483,390	410,614
Debt Service Fund	523,600	327,259
Capital Projects Funds	4,244,387	21,293,828
Proprietary Fund Types:		
Enterprise Funds	212,005	165,886
Internal Service Fund	188,262	323,564
Fiduciary Funds Types:		
Agency Funds	62,149	76,861
Private Purpose Trust Funds	<u>32,826</u>	<u>33,230</u>
Total	<u>\$ 9,299,639</u>	<u>\$26,311,226</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Fund Types				Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Sources:					
Taxes	\$2,885,868	\$ 0	\$ 559,044	\$ 0	\$ 3,444,912
Tuition	1,851,606	0	0	0	1,851,606
Earnings on Investment	15,196	0	0	17,562	32,758
Miscellaneous Receipts	100,170	9,239	0	61,505	170,914
Extracurricular Activities	0	274,654	0	0	274,654
Classroom Materials and Fees	38,864	0	0	0	38,864
Intergovernmental - State	2,518,409	3,600	75,708	1,008,224	3,605,941
Intergovernmental - Federal	<u>0</u>	<u>261,759</u>	<u>503,681</u>	<u>0</u>	<u>765,440</u>
Total Cash Receipts	<u>7,410,113</u>	<u>549,252</u>	<u>1,138,433</u>	<u>1,087,291</u>	<u>10,185,089</u>

Cash Disbursements:					
Instruction:					
Regular	3,642,519	49,426	0	20,541	3,712,486
Special	730,351	186,261	0	0	916,612
Vocational Education	45,505	0	0	0	45,505
Other	1,441	0	0	0	1,441
Support Services:					
Pupils	276,912	67,930	0	0	344,842
Instructional Staff	244,804	3,600	0	0	248,404
Board of Education	14,830	0	0	0	14,830
Administration	590,794	1,099	0	0	591,893
Fiscal Services	267,181	0	9,162	0	276,343
Operation and Maintenance of Plant	516,234	2,189	0	30,602	549,025
Pupil Transportation	260,838	17,229	0	0	278,067
Central	0	0	0	0	0
Food Service Operations	0	0	0	0	0
Purchased Services	0	0	0	245,335	245,335
Community Service	0	1,886	0	0	1,886

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2013 (CONTINUED)

	Governmental Fund Types				Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects	
Extracurricular Activities	199,251	248,940	0	0	448,191
Capital Outlay	0	0	0	18,138,254	18,138,254
Principal Payments	0	0	366,000	0	366,000
Interest and Fiscal Charges	0	0	914,780	0	914,780
Total Cash Disbursements	<u>6,790,660</u>	<u>578,560</u>	<u>1,289,942</u>	<u>18,434,732</u>	<u>27,093,894</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>619,453</u>	<u>(29,308)</u>	<u>(151,509)</u>	<u>(17,347,441)</u>	<u>(16,908,805)</u>
Other Financing Sources (Uses):					
Transfers - In	0	102,084	347,850	418,000	867,934
Transfers - Out	(746,417)	0	0	(120,000)	(866,417)
Total Other Financing Sources (Uses)	<u>(746,417)</u>	<u>102,084</u>	<u>347,850</u>	<u>298,000</u>	<u>1,517</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(126,964)</u>	<u>72,776</u>	<u>196,341</u>	<u>(17,049,441)</u>	<u>(16,907,288)</u>
Fund Cash Balances, July 1, 2012	<u>3,679,984</u>	<u>410,614</u>	<u>327,259</u>	<u>21,293,828</u>	<u>25,711,685</u>
Fund Cash Balances, June 30, 2013	<u>\$ 3,553,020</u>	<u>\$ 483,390</u>	<u>\$ 523,600</u>	<u>\$ 4,244,387</u>	<u>\$ 8,804,397</u>

See Notes to Financial Statements

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, 2013

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>		<u>Totals (Memo. Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Receipts:					
Extracurricular Activities	\$ 0	\$ 0	\$ 78,916	\$ 1,437	\$ 80,353
Food Services	204,056	0	0	0	204,056
Classroom Materials and Fees	<u>9,086</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,086</u>
Total Operating Cash Receipts	<u>213,142</u>	<u>0</u>	<u>78,916</u>	<u>1,437</u>	<u>293,495</u>
Operating Expenses:					
Employees Salaries and Wages	102,926	0	0	0	102,926
Employee Retirement and Insurance	37,789	13,244	0	0	51,033
Purchased Services	4,268	960,946	0	0	965,214
Supplies and Materials	184,339	0	90,592	0	274,931
Extracurricular Activities	0	0	0	1,870	1,870
Other Objects	<u>622</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>622</u>
Total Operating Cash Disbursements	<u>329,944</u>	<u>974,190</u>	<u>90,592</u>	<u>1,870</u>	<u>1,396,596</u>
Operating Loss	<u>(116,802)</u>	<u>(974,190)</u>	<u>(11,676)</u>	<u>(433)</u>	<u>(1,103,101)</u>
Non-operating Receipts and Disbursements:					
Earnings on Investment	983	903	0	174	2,060
State Sources	3,021	0	0	0	3,021
Federal Sources	155,331	0	0	0	155,331
Capital Outlay	(2,133)	0	0	0	(2,133)
Miscellaneous	<u>3,354</u>	<u>837,985</u>	<u>846</u>	<u>(145)</u>	<u>842,040</u>
Total Non-operating Cash Receipts	<u>160,556</u>	<u>838,888</u>	<u>846</u>	<u>29</u>	<u>1,000,319</u>
Excess of Cash Receipts Over (Under) Cash Disbursements Before Interfund Transfers					
	43,754	(135,302)	(10,830)	(404)	(102,782)
Transfers In	2,365	0	0	0	2,365
Transfers Out	<u>0</u>	<u>0</u>	<u>(3,882)</u>	<u>0</u>	<u>(3,882)</u>
Net Cash Receipts Over (Under) Cash Disbursements	46,119	(135,302)	(14,712)	(404)	(104,299)
Fund Cash Balances at July 1, 2012	<u>165,886</u>	<u>323,564</u>	<u>76,861</u>	<u>33,230</u>	<u>599,541</u>
Fund Cash Balances at June 30, 2013	<u>\$ 212,005</u>	<u>\$ 188,262</u>	<u>\$ 62,149</u>	<u>\$ 32,826</u>	<u>\$ 495,242</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types					Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects		
Cash Receipts:						
Local Sources:						
Taxes	\$ 2,706,840	\$ 0	\$ 542,722	\$ 0	\$ 0	\$ 3,249,562
Tuition	1,822,348	0	0	0	0	1,822,348
Earnings on Investment	20,366	0	12	231,794	0	252,172
Miscellaneous Receipts	37,905	12,127	0	0	0	50,032
Extracurricular Activities	0	242,048	0	0	0	242,048
Classroom Materials and Fees	47,378	0	0	0	0	47,378
Intergovernmental - State	2,651,556	3,600	36,578	8,708,906	0	11,400,640
Intergovernmental - Federal	<u>0</u>	<u>333,227</u>	<u>503,681</u>	<u>0</u>	<u>0</u>	<u>836,908</u>
Total Cash Receipts	<u>7,286,393</u>	<u>591,002</u>	<u>1,082,993</u>	<u>8,940,700</u>	<u>0</u>	<u>17,901,088</u>
Cash Disbursements:						
Instruction:						
Regular	3,693,452	85,525	0	20,327	0	3,799,304
Special	688,358	205,883	0	0	0	894,241
Vocational Education	54,722	0	0	0	0	54,722
Adult/Continuing	0	538	0	0	0	538
Other	1,549	0	0	0	0	1,549
Support Services:						
Pupils	273,839	69,213	0	0	0	343,052
Instructional Staff	249,160	3,600	0	0	0	252,760
Board of Education	14,729	0	0	0	0	14,729
Administration	618,742	374	0	565	0	619,681
Fiscal Services	262,096	0	8,927	0	0	271,023
Operation and Maintenance of Plant	485,097	3,952	0	49,181	0	538,230
Pupil Transportation	267,913	13,604	0	124,654	0	406,171
Central	7,306	0	0	0	0	7,306

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2012 (CONTINUED)

	Governmental Fund Types				Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects	
Community Service	0	555	0	0	555
Purchased Services	0	0	0	544,581	544,581
Extracurricular Activities	193,788	232,521	0	0	426,309
Capital Outlay	0	0	0	6,192,513	6,192,513
Principal Payments	0	0	270,000	0	270,000
Interest and Fiscal Charges	0	0	915,280	0	915,280
Total Cash Disbursements	<u>6,810,751</u>	<u>615,765</u>	<u>1,194,207</u>	<u>6,931,821</u>	<u>15,552,544</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>475,642</u>	<u>(24,763)</u>	<u>(111,214)</u>	<u>2,008,879</u>	<u>2,348,544</u>
Other Financing Sources (Uses):					
Transfers - In	0	170,000	228,575	433,520	832,095
Advances - In	9,200	0	0	0	9,200
Transfers - Out	(633,929)	0	0	(204,770)	(838,699)
Advances - Out	0	(9,200)	0	0	(9,200)
Total Other Financing Sources (Uses)	<u>(624,729)</u>	<u>160,800</u>	<u>228,575</u>	<u>228,750</u>	<u>(6,604)</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(149,087)</u>	<u>136,037</u>	<u>117,361</u>	<u>2,237,629</u>	<u>2,341,940</u>
Fund Cash Balances, July 1, 2011	<u>3,829,071</u>	<u>274,577</u>	<u>209,898</u>	<u>19,056,199</u>	<u>23,369,745</u>
Fund Cash Balances, June 30, 2012	<u>\$ 3,679,984</u>	<u>\$ 410,614</u>	<u>\$ 327,259</u>	<u>\$ 21,293,828</u>	<u>\$ 25,711,685</u>

See Notes to Financial Statements

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, 2012

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>		<u>Totals (Memo. Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Receipts:					
Extracurricular Activities	\$ 0	\$ 0	\$ 108,620	\$ 250	\$ 108,870
Food Services	216,633	0	0	0	216,633
Classroom Materials and Fees	<u>8,377</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,377</u>
Total Operating Cash Receipts	<u>225,010</u>	<u>0</u>	<u>108,620</u>	<u>250</u>	<u>333,880</u>
Operating Expenses:					
Employees Salaries and Wages	108,131	0	0	0	108,131
Employee Retirement and Insurance	35,613	55,765	0	0	91,378
Purchased Services	12,672	806,685	213	0	819,570
Supplies and Materials	191,307	0	91,088	0	282,395
Extracurricular Activities	0	0	0	4,552	4,552
Other Objects	<u>988</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>988</u>
Total Operating Cash Disbursements	<u>348,711</u>	<u>862,450</u>	<u>91,301</u>	<u>4,552</u>	<u>1,307,014</u>
Operating Loss	<u>(123,701)</u>	<u>(862,450)</u>	<u>17,319</u>	<u>(4,302)</u>	<u>(973,134)</u>
Non-operating Receipts and Disbursements:					
Earnings on Investment	562	5,161	0	137	5,860
State Sources	2,896	0	0	0	2,896
Federal Sources	146,679	0	0	0	146,679
Capital Outlay	(1,571)	0	0	0	(1,571)
Miscellaneous	<u>2,996</u>	<u>733,649</u>	<u>521</u>	<u>1,370</u>	<u>738,536</u>
Total Non-operating Cash Receipts	<u>151,562</u>	<u>738,810</u>	<u>521</u>	<u>1,507</u>	<u>892,400</u>
Excess of Cash Receipts Over (Under) Cash Disbursements Before Interfund Transfers	27,861	(123,640)	17,840	(2,795)	(80,734)
Transfers In	6,604	0	0	0	6,604
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Receipts Under Cash Disbursements	34,465	(123,640)	17,840	(2,795)	(74,130)
Fund Cash Balances at July 1, 2011	<u>131,421</u>	<u>447,204</u>	<u>59,021</u>	<u>36,025</u>	<u>673,671</u>
Fund Cash Balances at June 30, 2012	<u>\$ 165,886</u>	<u>\$ 323,564</u>	<u>\$ 76,861</u>	<u>\$33,230</u>	<u>\$ 599,541</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL COMPARISON
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEARS ENDED JUNE 30, 2013 and 2012

	2013		2012		Variance:
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Governmental Fund Types:					
General Fund	\$ 7,306,500	\$ 7,410,113	\$ 7,408,000	\$ 7,286,393	\$ (121,607)
Special Revenue Funds	640,000	651,336	765,000	761,002	(3,998)
Debt Service Fund	1,486,283	1,486,283	1,733,270	1,311,568	(421,702)
Capital Projects Funds	835,000	1,505,291	9,347,963	9,374,220	26,257
Proprietary Fund Types:					
Enterprise Funds	360,000	378,196	384,000	384,747	747
Internal Service Funds	830,000	838,888	760,000	743,971	(16,029)
Fiduciary Fund Types:					
Trust and Agency Funds	<u>76,000</u>	<u>81,373</u>	<u>115,000</u>	<u>110,898</u>	<u>(4,102)</u>
Total	<u>\$11,533,783</u>	<u>\$12,351,480</u>	<u>\$20,513,233</u>	<u>\$19,972,799</u>	<u>\$ (540,434)</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2013

	Prior Year Carryover	2013	Actual 2013	Encumbrances	Variance:
	Appropriations	Appropriations	Disbursements	Outstanding at 6/30/13	Favorable (Unfavorable)
		Total	Total	Total	
Governmental Fund Types:					
General Fund	\$ 812	\$ 8,100,000	\$ 7,537,077	\$ 10,883	\$ 552,852
Special Revenue Funds	4,411	773,740	578,560	2,097	197,494
Debt Service Fund	0	1,300,000	1,289,942	0	10,058
Capital Projects Funds	17,565,108	4,250,639	18,554,732	1,462,181	1,798,834
		<u>21,815,747</u>	<u>18,554,732</u>	<u>20,016,913</u>	
Proprietary Fund Types:					
Enterprise Funds	0	430,000	332,077	0	97,923
Internal Service Funds	0	994,475	974,190	0	20,285
		<u>125,722</u>	<u>96,489</u>	<u>3,000</u>	
Fiduciary Fund Types:					
Trust and Agency Funds	2,150				28,383
		<u>127,872</u>	<u>96,489</u>	<u>99,489</u>	
Total	<u>\$ 17,572,481</u>	<u>\$ 15,974,576</u>	<u>\$ 29,363,067</u>	<u>\$ 1,478,161</u>	<u>\$ 2,705,829</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2012

	Prior Year Carryover	2012 Appropriations	Total	Actual 2012 Disbursements	Encumbrances Outstanding at 6/30/12	Total	Variance: Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ 15,481	\$ 8,000,000	\$ 8,015,481	\$ 7,444,680	\$ 812	\$ 7,445,492	\$ 569,989
Special Revenue Funds	10,724	686,370	697,094	615,765	4,411	620,176	76,918
Debt Service Fund	0	1,575,000	1,575,000	1,194,207	0	1,194,207	380,793
Capital Projects Funds	1,750,575	24,989,000	26,739,575	7,136,591	17,565,108	24,701,699	2,037,876
Proprietary Fund Types:							
Enterprise Funds	0	414,000	414,000	350,282	0	350,282	63,718
Internal Service Funds	0	1,015,000	1,015,000	862,450	0	862,450	152,550
Fiduciary Fund Types:							
Trust and Agency Funds	2,150	131,840	133,990	95,853	2,150	98,003	35,987
Total	<u>\$ 1,778,930</u>	<u>\$ 36,811,210</u>	<u>\$38,590,140</u>	<u>\$ 17,699,828</u>	<u>\$ 17,572,481</u>	<u>\$ 35,272,309</u>	<u>\$ 3,317,831</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

DESCRIPTION OF THE ENTITY

The Hopewell-Loudon Local School District, Seneca County, (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 kindergarten through grade 12.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements on an accounting basis not in accordance with generally accepted accounting principles. 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).

These statements omit entity wide statements, and assets, liabilities, fund equities, and required note disclosures.

FUND ACCOUNTING

The District uses fund accounting to segregate cash and investments that are restricted as to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Although the District is required to classify and report their governmental fund balances into five fund balance classifications per Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the District chooses not to report their governmental funds in this manner, which is not in accordance with accounting principles generally accepted in the United States of America. The five fund balance classifications relate to constraints placed upon the use of resources and include non-spendable, restricted, committed, assigned, and unassigned.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Government funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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.

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.

Debt Service Fund

The debt service fund accounts for financial resources to be used for the repayment of debt issued by the District.

Capital Projects Funds

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

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.

Internal Service Funds

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds included private purpose trust and agency funds.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

A. 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 function level within each fund. 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.

B. 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.

C. Estimated Resources

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 the fiscal years 2013 and 2012 and do not include the unencumbered fund balances as of July 1, 2012 and 2011, respectively. However, those fund balances are available for appropriations.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 level of expenditures, which is the legal level 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.

E. 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.

F. 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.

PROPERTY, PLANT, AND EQUIPMENT

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total-(Memo. Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal years 2013 and 2012, the District invested in non-negotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013 and 2012. Investment earnings are allocated as authorized by State Statute and Board resolution.

Investments of the District's cash management pool and investments with an original maturity of twelve months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than twelve months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

(2) DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District's treasury. Active monies must be maintained either as cash in the District's 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 the Board of Education had identified as not required for use with the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

Interim monies held by the District may 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 other obligations of the State of Ohio.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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.
7. The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal years ended June 30, 2013 and 2012, \$1,021,280 and \$1,779,438 of the School District's bank balance of \$1,271,280 and \$2,029,438, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2013 and 2012, the District had the following investments:

	June 30, <u>2013</u>	June 30, <u>2012</u>	<u>Maturity</u>
STAR Ohio	\$ 1,882,558	\$ 6,611,800	Twelve Months or Less
Certificates of Deposit	1,214,313	1,209,266	Twelve Months or Less
Certificates of Deposit	2,486,000	7,152,000	Twelve Months or More
U.S. Treasury Notes	<u>2,362,312</u>	<u>8,552,579</u>	Twelve Months or More
Total Investments	<u>\$ 7,945,183</u>	<u>\$23,525,645</u>	

The Federal Reserve holds the District's U.S. Treasury Notes in book-entry form by, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

RECONCILIATION OF INVESTMENTS TO THE STATEMENT OF CASH
 AND CASH EQUIVALENTS, INVESTMENTS, AND FUND CASH BALANCES

The following is a reconciliation of investments as reported above to cash and cash equivalents as reported on the statement of cash and cash equivalents, investments, and fund cash balances as of June 30, 2013:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Carrying amount of deposits	\$ 1,354,456	\$ 0	\$ 1,354,456
Investments	<u>3,096,871</u>	<u>4,848,312</u>	<u>7,945,183</u>
Total	<u>\$ 4,451,327</u>	<u>\$ 4,848,312</u>	<u>\$ 9,299,639</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

The following is a reconciliation of investments as reported above to cash and cash equivalents as reported on the statement of cash and cash equivalents, investments, and fund cash balances as of June 30, 2012:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Carrying amount of deposits	\$ 2,785,581	\$ 0	\$ 2,785,581
Investments	<u>7,821,066</u>	<u>15,704,579</u>	<u>23,525,645</u>
Total	<u>\$ 10,606,647</u>	<u>\$ 15,704,579</u>	<u>\$ 26,311,226</u>

(3) PROPERTY TAX

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar years 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute 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 semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(3) PROPERTY TAX (CONTINUED)

Tangible personal property tax revenues received in calendar year 2013 (other than public utility property) represent the collection of calendar year 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Amounts 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. Tangible property taxes paid by April 30 are usually received by the District prior to June 30.

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2013 and 2012, plan members contributed 10 percent of their annual-covered salary and the District contributed 14 percent. Contributions amounted to \$121,632 for both years ended June 30, 2013 and 2012. The District has paid all contributions required through June 30, 2013 and 2012.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(4) DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 Board Street, Columbus, Ohio 43215-3771.

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

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

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2013 and 2012, members of STRS contributed 10 percent of their wages to the STRS. The District contributed an amount equal to 14 percent of their wages with 13 percent used to fund the pension obligation. Contributions amounted to \$471,720 and \$453,972 for the years ended June 30, 2013 and 2012, respectively. The District has paid all contributions required through June 30, 2013 and 2012.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(5) RISK MANAGEMENT

A. Commercial Insurance

The District had obtained commercial insurance for comprehensive property and general liability, vehicles, and errors and omissions.

B. Self-Insurance

The District is 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 \$1,000 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.

A comparison of Self-Insurance Fund cash and investments to the actuary-measured liability as of June 30, 2013 and 2012 are as follows:

		<u>2013</u>		<u>2012</u>
Cash and investments	\$	65,286	\$	57,714
Actuarial liabilities		5,455		3,477

C. Health and Life Insurance Programs

The District is a member of the The Jefferson Health Plan (formerly known as the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan) for its self-insured medical and life programs. The Jefferson Health Plan provides jointly administrated benefit programs for schools. The Jefferson Health Plan has designated Self-Funded Plans, Inc. of Cleveland as their claim administrator. Interfund rates are charged based on claims approved by the claims administrator.

A comparison of Self-Insurance Fund cash and investments to the actuary-measured liability as of June 30, 2013 and 2012 are as follows:

		<u>2013</u>		<u>2012</u>
Cash and investments	\$	83,506	\$	210,345
Actuarial liabilities		216,329		168,953

(6) PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(6) PUBLIC ENTITY RISK POOL (CONTINUED)

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

(7) SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. The amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set Aside Balance at June 30, 2012	\$ 0
Current Year Set- Aside Requirement	148,709
Current Year Offsets	<u>(18,434,733)</u>
Total	<u>\$ (18,286,024)</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$ 0</u>
Set Aside Balance at June 30, 2013	<u>\$ 0</u>

	Capital Improvements
Set Aside Balance at June 30, 2011	\$ 0
Current Year Set- Aside Requirement	148,709
Current Year Offsets	<u>(7,136,592)</u>
Total	<u>\$ (6,987,883)</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$ 0</u>
Set Aside Balance at June 30, 2012	<u>\$ 0</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(7) SET-ASIDE CALCULATIONS AND FUND RESERVES (CONTINUED)

The District had qualifying disbursements during the years that reduced the set-aside amounts below zero for the textbook/instructional materials reserve. This extra money may be used to reduce the set-aside requirement for future years. The negative amounts are therefore presented as being carried forward to the next fiscal year.

Although the District had qualifying disbursements during the years that reduced the set-aside requirements below zero for the capital acquisitions reserve, these extra monies may not be used to reduce the set-aside requirement for future years. The negative amounts are, therefore, not presented as being carried forward to the next fiscal year.

In prior years, the District was required to set aside funds for budget stabilization, however, the District now voluntarily increases this reserve for future capital expenditures.

(8) LONG-TERM OBLIGATIONS

The District had the following long-term debt obligations at June 30, 2013 and 2012:

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. Quarterly payments are \$6,915, including interest at 70 percent of the prime rate, 2.28 percent for both years ended June 30, 2010 and June 30, 2009. No assets are pledged to secure this note.

FY 2011 Ohio School Facilities Bonds

Tax Exempt and Build America Bonds (TEB and BAB):

On September 14, 2010, the School District issued \$1,005,000 Series 2010A Tax Exempt Bonds and \$4,355,000 Series 2010B Build America Bonds for the purpose of constructing new classroom facilities. Semi-annual interest payments are due at an average interest rate of 5.53% per annum, and varying principal payments are due annually on November 1 with a maturity date of November 1, 2039. The Federal Government will subsidize 35% of the debt service of the Build America Bonds. No assets were pledged to secure these bonds.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(8) LONG-TERM OBLIGATIONS (CONTINUED)

Qualified School Construction Bonds (QSCB):

On August 26, 2010, the School District issued \$6,300,000 of School Facilities Construction and Improvement Bonds, Series 2010A and on September 14, 2010, issued \$4,675,000 of School Facilities Construction and Improvement Bonds Series 2010B and 2010C. Both were for the purpose of constructing new classroom facilities. Quarterly interest payments are due at an average interest rate of 5.62% per annum through November 1, 2027 at which time they become semi-annual, and varying principal payments are due annually with a maturity date of November 1, 2047. The Federal Government will subsidize approximately 32% of the debt service. No assets are pledged to secure these bonds.

The following is a description of the District's general obligation debt outstanding as of June 30, 2013 and 2012.

	<u>Interest Rate</u>	<u>Outstanding 7/1/12</u>	<u>Retired</u>	<u>Outstanding 6/30/13</u>	<u>Amounts Due Within One Year</u>
TEB and BAB Bonds	5.53 %	\$ 5,360,000	\$ (50,000)	\$ 5,310,000	\$ 55,000
QSCB Bonds	5.62 %	<u>10,705,000</u>	<u>(316,000)</u>	<u>10,389,000</u>	<u>320,000</u>
Total		<u>\$16,065,000</u>	<u>\$ (366,000)</u>	<u>\$15,699,000</u>	<u>\$ 375,000</u>
	<u>Interest Rate</u>	<u>Outstanding 7/1/11</u>	<u>Retired</u>	<u>Outstanding 6/30/12</u>	<u>Amounts Due Within One Year</u>
TEB and BAB Bonds	5.53 %	\$ 5,360,000	\$	\$ 5,360,000	\$ 50,000
QSCB Bonds	5.62 %	<u>10,975,000</u>	<u>(270,000)</u>	<u>10,705,000</u>	<u>316,000</u>
Total		<u>\$16,335,000</u>	<u>\$ (270,000)</u>	<u>\$16,065,000</u>	<u>\$ 366,000</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(8) LONG-TERM OBLIGATIONS (CONTINUED)

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

Fiscal Year Ending	<u>TEB and BAB BONDS</u>		<u>QSCB BONDS</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	55,000	294,870	316,000	618,061
2015	40,000	293,920	320,000	618,061
2016	45,000	293,013	331,000	618,061
2017-2021	360,000	1,440,170	1,783,000	3,090,303
2022-2026	600,000	1,357,794	2,068,000	3,090,303
2027-2031	955,000	1,150,607	1,186,000	2,671,294
2032-2036	1,505,000	790,372	890,000	1,201,004
2037-2041	1,750,000	223,189	1,235,000	889,570
2042-2046	0	0	1,545,000	468,119
2047-2048	0	0	715,000	44,723

(9) JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Dencer, who serves as Executive Director, 219 Howard Drive, Sandusky, Ohio 44870.

(10) CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

(11) INTERFUND TRANSFERS

All interfund transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(12) SUBSEQUENT EVENTS

The School District has evaluated subsequent events through March 27, 2014, the date the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosure.

LublinSussman Group LLP

Certified Public Accountants

3166 N. Republic Blvd.
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hopewell-Loudon Local School District
Seneca County
290 North County Road 7
P.O. Box 400
Bascom, OH 44809-0400

To the Board of Education:

We have audited, in accordance with the 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, the financial statements on the governmental, business-type and fiduciary activities of Hopewell-Loudon Local School District (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2014, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements on a basis of accounting and presentation the Auditor of State formerly prescribed or permitted for governments which is not in accordance with accounting principles generally accepted in the United States of America. In addition, the District did not include the reporting of governmental type funds by constraints placed upon the use of resources within the funds.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Hopewell-Loudon Local School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hopewell-Loudon Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

www.lublinsussman.com

Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Terri S. Lee, CPA
Eric M. Golus, CPA

Members:
American Institute of Certified Public Accountants
AICPA—Private Companies Practice Section
Ohio Society of Certified Public Accountants

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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

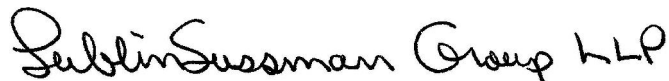
As part of obtaining reasonable assurance about whether Hopewell-Loudon Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 an instance of non-compliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2013-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dublin Sussman Group LLP". The signature is written in a cursive, flowing style.

March 27, 2014
Toledo, Ohio

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

FINDING NUMBER 2013-001

Non-Compliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of the Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equity, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Response: The School District understands this requirement but feels there are no cost-benefits to converting to GAAP.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Non-compliance: ORC § 117.38 - District did not report on GAAP basis.	No	Not corrected. Repeated as Finding 2013-001
2011-002	Non-compliance: ORC § 5705.41(B) - Expenditures plus encumbrances exceeded total appropriations for the debt service fund.	Yes	
2011-003	Material Weakness: District did not record bond interest of \$350,844 and bond proceeds of \$198,914 paid/received by outside parties	Yes	

3166 N. Republic Blvd.
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE**

Hopewell-Loudon Local School District
Seneca County
290 North County Road #7
Bascom, OH 44809-0400

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Hopewell-Loudon Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on August 22, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment and bullying policies. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

LublinSussman Group LLP

March 27, 2014
Toledo, OH

www.lublinsussman.com

Lee D. Wunschel, CPA
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Dave Yost • Auditor of State

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
MAY 20, 2014**