



Dave Yost • Auditor of State



**HOPEWELL-LOUDON LOCAL SCHOOL  
DISTRICT**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2015 .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2015.....	15
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2015.....	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2015 .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities - Cash Basis - June 30, 2015.....	18
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis – Governmental Funds - For the Fiscal Year Ended June 30, 2015.....	19
Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis – For the Fiscal Year Ended June 30, 2015 .....	20
Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual (Budget Basis) – General Fund - For the Fiscal Year Ended June 30, 2015 .....	21
Statement of Proprietary Net Position – Cash Basis - Proprietary Fund – June 30, 2015 .....	22
Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis - Proprietary Fund – For the Fiscal year Ended June 30, 2015 .....	23
Statement of Fiduciary Net Position – Cash Basis – June 30, 2015 .....	24
Statement of Changes in Fiduciary Net Position – Cash Basis – For the Fiscal Year Ended June 30, 2015.....	25
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2015 .....	26
Other Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	51
State Teachers Retirement System (STRS) of Ohio.....	52
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio .....	53

**HOPEWELL-LOUDON LOCAL SCHOOL  
DISTRICT**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
State Teachers Retirement System (STRS) of Ohio.....	54
Notes to Other Information.....	55
Management’s Discussion and Analysis – For the Fiscal Year Ended June 30, 2014 .....	56
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2014.....	66
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2014 .....	67
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2014 .....	68
Reconciliation of Total Governmental Fund Balances to Net Position - Cash Basis of Governmental Activities - June 30, 2014.....	69
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Governmental Funds - For the Fiscal Year Ended June 30, 2014.....	70
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis – For the Fiscal Year Ended June 30, 2014 .....	71
Statement of Cash Receipts, Disbursements and Change in Fund Balance - Budget and Actual (Budget Basis) – General Fund - For the Fiscal Year Ended June 30, 2014 .....	72
Statement of Proprietary Net Position – Cash Basis - Proprietary Fund – June 30, 2014 .....	73
Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis - Proprietary Fund – For the Fiscal year Ended June 30, 2014 .....	74
Statement of Fiduciary Net Position – Cash Basis – June 30, 2014 .....	75
Statement of Changes in Fiduciary Net Position – Cash Basis – For the Fiscal Year Ended June 30, 2014.....	76
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2014 .....	77
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	97
Schedule of Findings .....	99
Schedule of Prior Audit Findings .....	100



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopewell-Loudon Local School District, Seneca County, Ohio (the District), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopewell-Loudon Local School District, Seneca County, Ohio, as of June 30, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matters**

As discussed in Note 3 to the fiscal year 2014 financial statements, during 2014, the District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the fiscal year 2014 financial statements, during 2014, the District restated their opening fund balances to comply with the accounting guidance of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion and Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 7, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The management's discussion and analysis of the Hopewell-Loudon Local School District's (the "District") financial performance provides an overall review of the District's cash basis financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- The total net cash position of the District decreased \$611,210 or 8.44% from fiscal year 2014.
- General cash receipts accounted for \$6,660,465 in cash receipts or 67.96% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$3,139,734 in cash receipts or 32.04% of total cash receipts of \$9,800,199.
- The District had \$10,411,409 in cash disbursements related to governmental activities; \$3,139,734 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,660,465 were not adequate to provide for these programs during fiscal year 2015.
- The District's major governmental funds are the general fund, the bond retirement fund, and the building fund. The general fund had \$7,974,155 in cash receipts and other financing sources and \$7,929,530 in cash disbursements and other financing uses. During fiscal year 2015, the general fund's fund cash balance increased \$44,625 from \$3,568,389 to \$3,613,014.
- The bond retirement fund had \$1,395,417 in cash receipts and other financing sources and \$1,282,816 in cash disbursements. During fiscal year 2015, the bond retirement fund's fund cash balance increased \$112,601 from \$750,793 to \$863,394.
- The building fund had \$856,339 in cash receipts and other financing sources and \$144,364 in other financing uses. During fiscal year 2015, the building fund's fund cash balance increased \$711,975 from \$253,542 to \$965,517.

**Using the Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

**Reporting the District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did the District do financially during fiscal year 2015?” These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District’s programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’ most significant funds. The District’s major governmental funds are the general fund, the bond retirement fund, and the building fund.

***Governmental Funds***

Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District’s operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The relationship (or differences) between governmental activities (reported in the statement of net position – cash basis and statement of activities – cash basis) and governmental funds is reconciled in the basic financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

***Proprietary Funds***

The District maintains one proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for self-insurance programs.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the District's net pension liability.

**Government-wide Financial Analysis**

The table below provides a summary of the District's net cash position at June 30, 2015 and June 30, 2014.

	<b>Net Cash Position</b>	
	Governmental Activities 2015	Governmental Activities 2014
	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>		
Current assets	\$ 6,634,210	\$ 7,245,420
<b><u>Net Cash Position</u></b>		
Restricted	2,344,558	3,316,021
Unrestricted	<u>4,289,652</u>	<u>3,929,399</u>
Total net cash position	<u>\$ 6,634,210</u>	<u>\$ 7,245,420</u>

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2015, the total net cash position of the District was \$6,634,210. A portion of the District's net cash position, \$2,344,558, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,289,652 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

The table below shows the change in net cash position for fiscal years 2015 and 2014.

	<b>Change in Net Cash Position</b>	
	Governmental Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
<b><u>Cash receipts:</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 2,066,978	\$ 2,179,474
Operating grants and contributions	1,072,756	1,171,459
General cash receipts:		
Property taxes	3,295,457	3,119,502
Income taxes	455,159	462,500
Unrestricted grants and entitlements	2,771,655	2,488,705
Restricted grants and entitlements	15,772	292,031
Investment earnings	22,437	(22,052)
Miscellaneous	<u>99,985</u>	<u>60,027</u>
Total cash receipts	<u>9,800,199</u>	<u>9,751,646</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

	<b>Change in Net Cash Position (Continued)</b>	
	Governmental Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
<b><u>Cash disbursements:</u></b>		
Current:		
Instruction:		
Regular	\$ 3,902,882	\$ 3,894,455
Special	1,146,502	1,132,729
Vocational	9,060	417
Other	2,229	898
Support services:		
Pupil	328,346	319,111
Instructional staff	192,535	191,896
Board of education	23,098	36,006
Administration	538,542	540,434
Fiscal	287,709	311,633
Operations and maintenance	655,404	1,120,821
Pupil transportation	381,023	293,420
Central	22,647	35,141
Operation of non-instructional services:		
Other non-instructional services	522	3,231
Food service operations	315,847	316,595
Extracurricular activities	471,218	447,627
Facilities acquisition and construction	861,865	1,781,749
Debt service:		
Principal retirement	360,000	371,000
Interest and fiscal charges	911,980	913,727
Total cash disbursements	<u>10,411,409</u>	<u>11,710,890</u>
Change in net cash position	(611,210)	(1,959,244)
Net cash position at beginning of year	<u>7,245,420</u>	<u>9,204,664</u>
Net cash position at end of year	<u><u>\$ 6,634,210</u></u>	<u><u>\$ 7,245,420</u></u>

**Governmental Activities**

Net cash position of the District's governmental activities decreased \$611,210. Total governmental cash disbursements of \$10,411,409 were offset by program cash receipts of \$3,139,734 and general cash receipts of \$6,660,465. Program cash receipts supported 30.16% of the total governmental cash disbursements. The largest cash disbursement category of the District is for instructional programs, which totaled \$5,060,673. Facilities acquisition and construction cash disbursements decreased due to the closeout of the District's Ohio Facilities Construction Commission (OFCC) construction project during fiscal year 2015.

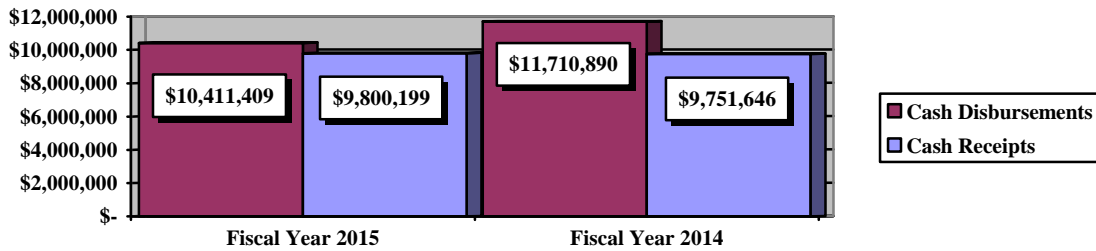
**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

The primary sources of cash receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These cash receipt sources represent 66.55% of total governmental cash receipts. Real estate property is reappraised every six years.

The graph below presents the District's cash receipts and cash disbursements for fiscal years 2015 and 2014.

**Governmental Activities - Cash Receipts and Cash Disbursements**



The table below presents the District's total cost of services and net cost of services for fiscal years 2015 and 2014.

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 3,902,882	\$ 2,399,453	\$ 3,894,455	\$ 2,237,193
Special	1,146,502	556,008	1,132,729	544,021
Vocational	9,060	4,253	417	(3,161)
Other	2,229	2,229	898	898
Support services:				
Pupil	328,346	269,618	319,111	261,244
Instructional staff	192,535	188,935	191,896	188,296
Board of education	23,098	23,098	36,006	36,006
Administration	538,542	536,956	540,434	539,359
Fiscal	287,709	287,709	311,633	311,633
Operations and maintenance	655,404	650,243	1,120,821	1,116,326
Pupil transportation	381,023	362,064	293,420	275,958
Central	22,647	22,647	35,141	35,141
Operation of non-instructional services:				
Other non-instructional services	522	1	3,231	(11)
Food service operations	315,847	5,144	316,595	(4,189)
Extracurricular activities	471,218	209,089	447,627	219,103
Facilities acquisition and construction	861,865	861,865	1,781,749	1,781,749
Debt service:				
Principal retirement	360,000	360,000	371,000	371,000
Interest and fiscal charges	911,980	532,363	913,727	449,391
<b>Total</b>	<u>\$ 10,411,409</u>	<u>\$ 7,271,675</u>	<u>\$ 11,710,890</u>	<u>\$ 8,359,957</u>

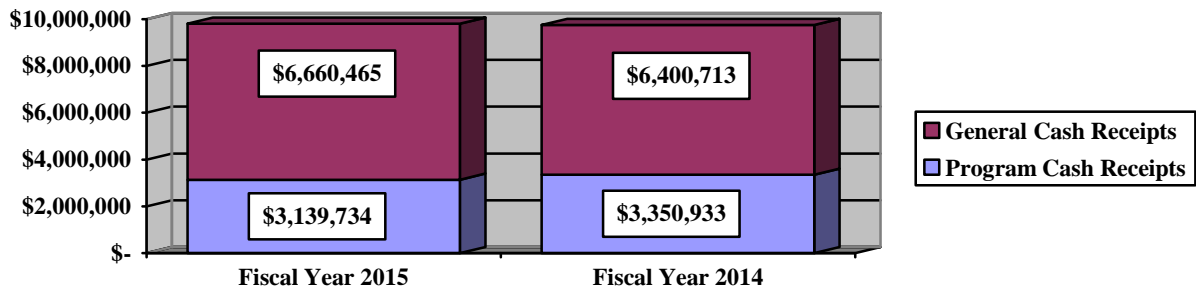
**HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 68.84% of cash disbursements are supported through taxes and other general cash receipts.

The graph below presents the District's governmental activities cash receipts for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$6,443,662, which is less than last year's total fund cash balance of \$7,016,758. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	Increase/ (Decrease)	Percentage <u>Change</u>
General	\$ 3,613,014	\$ 3,568,389	\$ 44,625	1.25 %
Bond retirement	863,394	750,793	112,601	15.00 %
Building	965,517	253,542	711,975	280.81 %
Nonmajor governmental	<u>1,001,737</u>	<u>2,444,034</u>	<u>(1,442,297)</u>	(59.01) %
Total	<u>\$ 6,443,662</u>	<u>\$ 7,016,758</u>	<u>\$ (573,096)</u>	(8.17) %

**General Fund**

The District's general fund cash balance increased \$44,625.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

The table that follows assists in illustrating the cash receipts of the general fund for fiscal years 2015 and 2014.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 3,206,110	\$ 3,008,544	6.57 %
Tuition	1,589,845	1,725,135	(7.84) %
Earnings on investments	14,137	17,418	(18.84) %
Intergovernmental	2,973,999	2,680,004	10.97 %
Other receipts	<u>189,559</u>	<u>151,269</u>	25.31 %
Total	<u>\$ 7,973,650</u>	<u>\$ 7,582,370</u>	5.16 %

Overall cash receipts of the general fund increased \$391,280 or 5.16%. Taxes increased \$197,566 or 6.57% primarily due to an increase in property taxes received by the District during the fiscal year. Tuition decreased \$135,290 or 7.84% mainly due to a decline in open enrollment receipts in fiscal year 2015. Intergovernmental cash receipts increased \$293,995 or 10.97%, which is primarily attributable to an increase in foundation receipts from the State of Ohio.

The table that follows assists in illustrating the cash disbursements of the general fund for fiscal years 2015 and 2014.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements:</u></b>			
Instruction	\$ 4,792,450	\$ 4,806,354	(0.29) %
Support services	2,190,782	2,262,512	(3.17) %
Extracurricular activities	<u>268,432</u>	<u>257,227</u>	4.36 %
Total	<u>\$ 7,251,664</u>	<u>\$ 7,326,093</u>	(1.02) %

Overall cash disbursements of the general fund decreased \$74,429 or 1.02%. The minimal change in cash disbursements, both in total and by line item, is an indication of the District's effort to control costs.

***Bond Retirement Fund***

During fiscal year 2015, the bond retirement fund's fund cash balance increased \$112,601 from \$750,793 to \$863,394. The District continues to maintain a fund cash balance in the bond retirement fund that is sufficient to support current and future debt service requirements.

***Building Fund***

During fiscal year 2015, the building fund's fund cash balance increased \$711,975 from \$253,542 to \$965,517, which is primarily due to transfers in that were reported by the District as part of the OFCC closeout process.

***Budgeting Highlights - General Fund***

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

For the general fund, final budgetary basis receipts and other financing sources of \$7,901,000 were \$223,390 greater than the original budget estimates of \$7,677,610. Actual budgetary basis receipts and other financing sources of \$7,918,045 were \$17,045 greater than the final budget estimates.

The final and original budgetary basis disbursements and other financing uses were \$8,252,250 and \$8,102,250, respectively. The actual budgetary basis disbursements and other financing uses of \$7,947,551 were \$304,699 less than the final budget estimates.

**Capital Assets and Debt Administration**

*Capital Assets*

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$861,865 during fiscal year 2015.

*Debt Administration*

At June 30, 2015, the District had \$14,968,000 in bonds outstanding. Of this total, \$376,000 is due within one year and \$14,592,000 is due in more than one year. The following table summarizes the general obligation bonds outstanding at June 30, 2015 and June 30, 2014.

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds	<u>\$ 14,968,000</u>	<u>\$ 15,328,000</u>

See Note 9 to the basic financial statements for detail on the District's debt administration.

**Current Financial Related Activities**

The District continues to maintain a high standard of service to its students, parents, and the community.

The District has a stable financial outlook. The Board of Education and administration closely monitor the District's receipts and disbursements in accordance with its financial forecast.

The District has communicated to its community that it relies upon its support for the majority of its operations, and will continue to work diligently to plan disbursements, staying carefully within the District's five-year financial plan. The support of the community was measured in May of 2010 when the voters approved a 5.88 mill levy, and 0.5% income tax for new facilities with the Ohio Facilities Construction Commission. The District built a new 174,000 square foot K-12 building, which opened in the fall of 2014. The last operating levy was passed in 1989. An operating levy was replaced with an emergency levy in 2005. This replacement was for \$570,000 and continues to be renewed for five-year periods. Most recently, the emergency levy was renewed on May 6, 2014. This levy is important to the District's financial condition going forward and its commitment to serving its students.

During fiscal year 2015, the District experienced a significant increase in CAUV valuation, which resulted in a substantial increase in property tax receipts. This increase, along with the renewal of the emergency levy, has afforded

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

the District some financial stability that will help offset funding concerns associated with the District's enrollment figures.

All of the District's financial abilities will be needed to meet the challenges of the future. It is imperative that the Board of Education and administrative team continue to carefully and prudently plan in order to provide the resources required to meet students' needs over the next several years, operating within the means of the District's budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jennifer Hedrick, Treasurer, Hopewell-Loudon Local School District, 290 North County Road #7, Bascom, Ohio 44809-0400.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 6,512,163
Cash with fiscal agent . . . . .	122,047
Total assets. . . . .	6,634,210
 <b>Net cash position:</b>	
Restricted for:	
Capital projects . . . . .	965,517
Classroom facilities maintenance . . . . .	250,245
Debt service. . . . .	863,394
Locally funded programs . . . . .	6,884
Federally funded programs . . . . .	724
Extracurricular activities . . . . .	41,613
Food service operations. . . . .	216,181
Unrestricted . . . . .	4,289,652
Total net cash position . . . . .	\$ 6,634,210

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,902,882	\$ 1,494,215	\$ 9,214	\$ (2,399,453)
Special . . . . .	1,146,502	128,576	461,918	(556,008)
Vocational . . . . .	9,060	-	4,807	(4,253)
Other . . . . .	2,229	-	-	(2,229)
Support services:				
Pupil . . . . .	328,346	-	58,728	(269,618)
Instructional staff . . . . .	192,535	-	3,600	(188,935)
Board of education . . . . .	23,098	-	-	(23,098)
Administration . . . . .	538,542	1,586	-	(536,956)
Fiscal . . . . .	287,709	-	-	(287,709)
Operations and maintenance . . . . .	655,404	5,161	-	(650,243)
Pupil transportation . . . . .	381,023	14,963	3,996	(362,064)
Central . . . . .	22,647	-	-	(22,647)
Operation of non-instructional services:				
Other non-instructional services . . . . .	522	-	521	(1)
Food service operations . . . . .	315,847	173,676	137,027	(5,144)
Extracurricular activities . . . . .	471,218	248,801	13,328	(209,089)
Facilities acquisition and construction . . . . .	861,865	-	-	(861,865)
Debt service:				
Principal retirement . . . . .	360,000	-	-	(360,000)
Interest and fiscal charges . . . . .	911,980	-	379,617	(532,363)
<b>Totals . . . . .</b>	<b>\$ 10,411,409</b>	<b>\$ 2,066,978</b>	<b>\$ 1,072,756</b>	<b>(7,271,675)</b>

**General cash receipts:**

Property taxes levied for:	
General purposes . . . . .	2,750,951
Debt service . . . . .	544,506
Income taxes levied for:	
General purposes . . . . .	455,159
Grants and entitlements not restricted to specific programs . . . . .	2,771,655
Grants and entitlements restricted for Ohio Facilities Construction Commission . . . . .	15,772
Investment earnings . . . . .	22,437
Miscellaneous . . . . .	99,985
<b>Total general cash receipts . . . . .</b>	<b>6,660,465</b>
Change in net cash position . . . . .	(611,210)
<b>Net cash position at beginning of year . . . . .</b>	<b>7,245,420</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 6,634,210</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 3,613,014	\$ 863,394	\$ 965,517	\$ 1,001,737	\$ 6,443,662
Total assets . . . . .	<u>\$ 3,613,014</u>	<u>\$ 863,394</u>	<u>\$ 965,517</u>	<u>\$ 1,001,737</u>	<u>\$ 6,443,662</u>
<b>Fund cash balances:</b>					
Restricted:					
Debt service . . . . .	\$ -	\$ 863,394	\$ -	\$ -	\$ 863,394
Capital improvements . . . . .	-	-	965,517	-	965,517
Classroom facilities maintenance . . . . .	-	-	-	250,245	250,245
Food service operations . . . . .	-	-	-	216,181	216,181
Special education . . . . .	-	-	-	240	240
Targeted academic assistance . . . . .	-	-	-	484	484
Extracurricular activities . . . . .	-	-	-	41,613	41,613
Other purposes. . . . .	-	-	-	6,884	6,884
Committed:					
Termination benefits. . . . .	290,061	-	-	-	290,061
Assigned:					
Student instruction . . . . .	12,581	-	-	-	12,581
Student and staff support. . . . .	50,995	-	-	-	50,995
Subsequent year's appropriations . . . . .	414,407	-	-	-	414,407
Capital improvements . . . . .	-	-	-	486,090	486,090
Other purposes. . . . .	9,727	-	-	-	9,727
Unassigned . . . . .	2,835,243	-	-	-	2,835,243
Total fund cash balances. . . . .	<u>\$ 3,613,014</u>	<u>\$ 863,394</u>	<u>\$ 965,517</u>	<u>\$ 1,001,737</u>	<u>\$ 6,443,662</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES - CASH BASIS  
JUNE 30, 2015

<b>Total governmental fund cash balances</b>	\$ 6,443,662
<i>Amounts reported for governmental activities on the statement of net position - cash basis are different because:</i>	
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities on the statement of net position - cash basis.	<u>190,548</u>
<b>Net position - cash basis of governmental activities</b>	<u><u>\$ 6,634,210</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,750,951	\$ 544,506	\$ -	\$ -	\$ 3,295,457
Income taxes . . . . .	455,159	-	-	-	455,159
Tuition . . . . .	1,589,845	-	-	-	1,589,845
Earnings on investments . . . . .	14,137	1	2,290	5,179	21,607
Charges for services . . . . .	-	-	-	173,504	173,504
Extracurricular . . . . .	33,053	-	-	224,683	257,736
Classroom materials and fees . . . . .	44,141	-	-	-	44,141
Rental income . . . . .	1,752	-	-	-	1,752
Contributions and donations . . . . .	13,328	-	-	9,284	22,612
Other local receipts . . . . .	97,285	-	-	2,630	99,915
Intergovernmental - state . . . . .	2,973,999	66,134	-	21,512	3,061,645
Intergovernmental - federal . . . . .	-	379,617	-	395,914	775,531
Total cash receipts . . . . .	<u>7,973,650</u>	<u>990,258</u>	<u>2,290</u>	<u>832,706</u>	<u>9,798,904</u>
<b>Cash disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	3,841,673	-	-	36,795	3,878,468
Special . . . . .	939,538	-	-	202,553	1,142,091
Vocational . . . . .	9,060	-	-	-	9,060
Other . . . . .	2,179	-	-	-	2,179
Support services:					
Pupil . . . . .	268,495	-	-	58,830	327,325
Instructional staff . . . . .	187,794	-	-	3,600	191,394
Board of education . . . . .	23,098	-	-	-	23,098
Administration . . . . .	533,332	-	-	1,572	534,904
Fiscal . . . . .	275,862	10,836	-	-	286,698
Operations and maintenance . . . . .	603,384	-	-	49,691	653,075
Pupil transportation . . . . .	276,170	-	-	104,691	380,861
Central . . . . .	22,647	-	-	-	22,647
Operation of non-instructional services:					
Other non-instructional services . . . . .	-	-	-	522	522
Food service operations . . . . .	-	-	-	314,615	314,615
Extracurricular activities . . . . .	268,432	-	-	202,786	471,218
Facilities acquisition and construction . . . . .	-	-	-	861,865	861,865
Debt service:					
Principal retirement . . . . .	-	360,000	-	-	360,000
Interest and fiscal charges . . . . .	-	911,980	-	-	911,980
Total cash disbursements . . . . .	<u>7,251,664</u>	<u>1,282,816</u>	<u>-</u>	<u>1,837,520</u>	<u>10,372,000</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>721,986</u>	<u>(292,558)</u>	<u>2,290</u>	<u>(1,004,814)</u>	<u>(573,096)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	405,159	854,049	712,236	1,971,444
Transfers (out) . . . . .	(677,866)	-	(144,364)	(1,149,214)	(1,971,444)
Advances in . . . . .	505	-	-	-	505
Advances (out) . . . . .	-	-	-	(505)	(505)
Total other financing sources (uses) . . . . .	<u>(677,361)</u>	<u>405,159</u>	<u>709,685</u>	<u>(437,483)</u>	<u>-</u>
Net change in fund cash balances . . . . .	44,625	112,601	711,975	(1,442,297)	(573,096)
<b>Fund cash balances at beginning of year . .</b>	<u>3,568,389</u>	<u>750,793</u>	<u>253,542</u>	<u>2,444,034</u>	<u>7,016,758</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 3,613,014</u>	<u>\$ 863,394</u>	<u>\$ 965,517</u>	<u>\$ 1,001,737</u>	<u>\$ 6,443,662</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<b>Net change in fund balances - cash basis - total governmental funds</b>	\$ (573,096)
<i>Amounts reported for governmental activities in the statement of activities - cash basis are different because:</i>	
An internal service fund for self-insurance is not reported in the district- wide statement of activities - cash basis. Governmental fund cash disbursements and the related internal service fund cash receipts are eliminated. The net cash receipts (cash disbursements) of the internal service fund are allocated among the governmental activities.	<u>(38,114)</u>
<b>Change in net cash position of governmental activities</b>	<u>\$ (611,210)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,675,158	\$ 2,753,000	\$ 2,750,951	\$ (2,049)
Income taxes. . . . .	442,135	455,000	455,159	159
Tuition. . . . .	1,552,524	1,597,700	1,589,845	(7,855)
Earnings on investments . . . . .	14,576	15,000	14,137	(863)
Classroom materials and fees . . . . .	36,527	37,590	35,493	(2,097)
Rental income . . . . .	2,429	2,500	1,752	(748)
Other local receipts . . . . .	68,215	70,200	96,204	26,004
Intergovernmental - state . . . . .	2,885,536	2,969,500	2,973,999	4,499
Total budgetary basis receipts. . . . .	<u>7,677,100</u>	<u>7,900,490</u>	<u>7,917,540</u>	<u>17,050</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	4,299,801	3,904,981	3,832,627	72,354
Special. . . . .	1,060,738	976,128	939,538	36,590
Vocational. . . . .	2,445	22,061	21,641	420
Other. . . . .	1,185	2,924	2,179	745
Support services:				
Pupil. . . . .	293,300	268,314	268,495	(181)
Instructional staff . . . . .	211,462	193,892	187,794	6,098
Board of education . . . . .	35,179	37,474	23,098	14,376
Administration. . . . .	604,371	552,225	533,332	18,893
Fiscal . . . . .	238,274	288,101	280,862	7,239
Operations and maintenance. . . . .	704,931	688,469	603,384	85,085
Pupil transportation . . . . .	305,749	309,779	276,170	33,609
Central. . . . .	32,354	28,850	22,647	6,203
Extracurricular activities. . . . .	243,686	244,052	223,918	20,134
Total budgetary basis disbursements. . . . .	<u>8,033,475</u>	<u>7,517,250</u>	<u>7,215,685</u>	<u>301,565</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements. . . . .	<u>(356,375)</u>	<u>383,240</u>	<u>701,855</u>	<u>318,615</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(68,775)	(735,000)	(731,866)	3,134
Advances in. . . . .	510	510	505	(5)
Total other financing sources (uses) . . . . .	<u>(68,265)</u>	<u>(734,490)</u>	<u>(731,361)</u>	<u>3,129</u>
Net change in fund cash balance . . . . .	(424,640)	(351,250)	(29,506)	321,744
<b>Fund cash balance at beginning of year . . . . .</b>	3,276,906	3,276,906	3,276,906	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,250	2,250	2,250	-
<b>Fund cash balance at end of year . . . . .</b>	<u>\$ 2,854,516</u>	<u>\$ 2,927,906</u>	<u>\$ 3,249,650</u>	<u>\$ 321,744</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF PROPRIETARY NET POSITION - CASH BASIS  
 PROPRIETARY FUND  
 JUNE 30, 2015

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 68,501
Cash with fiscal agent . . . . .	122,047
Total assets. . . . .	190,548
 <b>Net cash position:</b>	
Unrestricted. . . . .	190,548
Total net cash position . . . . .	\$ 190,548

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN NET POSITION - CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating cash receipts:</b>	
Charges for services . . . . .	\$ 909,241
<b>Operating cash disbursements:</b>	
Purchased services. . . . .	288,369
Claims . . . . .	660,281
Total operating cash disbursements . . . . .	<u>948,650</u>
Operating loss. . . . .	<u>(39,409)</u>
<b>Nonoperating cash receipts:</b>	
Earnings on investments . . . . .	<u>1,295</u>
Change in net cash position . . . . .	(38,114)
<b>Net cash position at beginning of year. .</b>	<u>228,662</u>
<b>Net cash position at end of year . . . . .</b>	<u><u>\$ 190,548</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	<u>\$ 30,476</u>	<u>\$ 75,146</u>
<b>Net cash position:</b>		
Due to students . . . . .	\$ -	\$ 65,734
Due to others . . . . .	-	9,412
Held in trust for scholarships . . . . .	<u>30,476</u>	<u>-</u>
Total net cash position . . . . .	<u>\$ 30,476</u>	<u>\$ 75,146</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 56
Gifts and contributions . . . . .	2,270
Total additions . . . . .	2,326
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,654
Change in net cash position . . . . .	(2,328)
<b>Net cash position at beginning of year . . . . .</b>	<b>32,804</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 30,476</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - THE REPORTING ENTITY**

The Hopewell-Loudon Local School District (the "District"), Seneca County, is a local school district as defined by Section 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 K-12. The District is staffed by 25 non-certified employees, 51 certified employees, and 5 administrators who provide services to 847 students.

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

**A. Primary Government**

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

**C. Other Organizations**

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**JOINTLY GOVERNED ORGANIZATION**

**Northern Ohio Educational Computer Association (NOECA)**

The District is a participant in NOECA, which is a computer consortium. NOECA is an association of forty-one 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 Schwiefert, who serves as Controller, at 1210 East Bogart Road, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 1 - THE REPORTING ENTITY - (Continued)**

Vanguard-Sentinel Career and Technology Centers

The Vanguard-Sentinel Career and Technology Centers (VSCTC) is a political subdivision of the State of Ohio, which provides vocational education for students. The VSCTC is operated under direction of a Board consisting of one representative from the District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The VSCTC possesses its own budgeting and taxing authority. Financial information can be obtained from Alan Binger, Vanguard-Sentinel Career and Technology Centers, at 1306 Cedar Street, Fremont, Ohio 43420.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as the 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.

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

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District's accounting policies.

**A. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. 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 cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and government-wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported in the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources restricted for the payment of general obligation bond and note principal, interest, and related costs.

*Building fund* - The building fund is used to account for receipts and disbursements related to the District's locally funded initiative (LFI) intended for capital improvements of District facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical, dental, life, and vision benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's only trust fund is a private-purpose trust fund that accounts for scholarship programs. The District's agency fund activity is reported in a single column on the basic financial statements.

**C. Basis of Presentation**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of receipts and disbursements.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

All assets and net cash position associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in cash receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restrictions that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriations amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2015, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, and negotiable certificates of deposit. In accordance with the cash basis of accounting, all District investments are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2015. 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 shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest receipts credited to the general fund during fiscal year 2015 amounted to \$14,137, which includes \$4,199 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 5.

**F. Inventory and Prepaid Items**

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as cash disbursements when paid. These items are not reflected as assets in the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Accumulated Leave**

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

**I. Pensions**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

The District recognizes the cash disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postemployment healthcare.

**K. Long-Term Obligations**

Bonds, loans, capital leases, and other long-term obligations are not recognized as liabilities in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for principal and interest payments, bond issuance costs, and payments to refunded bond escrow agent.

**L. Fund Cash Balance**

Fund cash balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

*Assigned* - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

**M. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

**N. Interfund Balances**

On the fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the statement of activities.

**O. Interfund Activity**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have any extraordinary or special items during fiscal year 2015.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added other information which is presented elsewhere in this report.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, disbursements and change in fund balance - budget and actual - budget basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund cash balance (cash).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Budget basis	\$ (29,506)
Funds budgeted elsewhere	56,550
Adjustment for encumbrances	17,581
Cash basis	\$ 44,625

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a cash basis. This includes the uniform school supplies fund, the public school fund, and the termination benefits fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 5 - DEPOSITS 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those 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.

Interim monies 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 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 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, or legal governments;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

Protection of the 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.

**A. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2015 was \$122,047.

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$2,989,432. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$2,591,009 of the District's bank balance of \$3,041,009 was exposed to custodial credit risk as discussed below, while \$450,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity 6 Months or Less</u>
Negotiable CD's	\$ 400,000	\$ 400,000
STAR Ohio	<u>3,228,353</u>	<u>3,228,353</u>
Total	<u>\$ 3,628,353</u>	<u>\$ 3,628,353</u>

The weighted average maturity of investments is 0.04 years.

*Interest Rate Risk:* Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address credit risk beyond the requirements of State statutes.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 400,000	11.02
STAR Ohio	<u>3,228,353</u>	<u>88.98</u>
Total	<u>\$ 3,628,353</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 2,989,432
Cash with fiscal agent	122,047
Investments	<u>3,628,353</u>
Total	<u>\$ 6,739,832</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,634,210
Private-purpose trust fund	30,476
Agency fund	<u>75,146</u>
Total	<u>\$ 6,739,832</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 6- INTERFUND TRANSACTIONS**

- A. Advances in and advances out during fiscal year 2015 consisted of the following, as reported on the fund financial statements:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ <u>505</u>

The primary purpose of the advances is to cover costs in specific funds where cash receipts were not received by June 30. Advances are repaid once the anticipated cash receipts are received.

Advances between governmental funds are eliminated on the government-wide financial statements; therefore, no advances are reported in the statement of activities.

- B. Interfund transfers during fiscal year 2015 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 405,159
Nonmajor governmental funds	272,707
<u>Transfers from building fund to:</u>	
Nonmajor governmental fund	144,364
<u>Transfers from nonmajor governmental fund to:</u>	
Building fund	854,049
Nonmajor governmental fund	<u>295,165</u>
Total	<u>\$1,971,444</u>

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During fiscal year 2015, the District transferred monies from the building fund and the classroom facilities fund (a nonmajor governmental fund) to various governmental funds in accordance with requests made during the District's OFCC construction project closeout process.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 103,737,540	95.31	\$ 127,267,480	96.14
Public utility personal	<u>5,108,300</u>	<u>4.69</u>	<u>5,107,110</u>	<u>3.86</u>
 Total	 <u>\$ 108,845,840</u>	 <u>100.00</u>	 <u>\$ 132,374,590</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 46.02		 \$ 43.71	

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of one half of one percent (0.50%) for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund. Total income tax cash receipts for fiscal year 2015 equaled \$455,159.

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2015, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding July 1, 2014	Additions	Reductions	Balance Outstanding June 30, 2015	Amounts Due in One Year
<b>Governmental Activities:</b>					
Fiscal Year 2011 OSFC Bonds	\$ 5,255,000	\$ -	\$ (40,000)	\$ 5,215,000	\$ 45,000
Fiscal Year 2011 Qualified School Construction Bonds	<u>10,073,000</u>	<u>-</u>	<u>(320,000)</u>	<u>9,753,000</u>	<u>331,000</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 15,328,000</u>	<u>\$ -</u>	<u>\$ (360,000)</u>	<u>\$ 14,968,000</u>	<u>\$ 376,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*Fiscal Year 2011 Ohio School Facilities Construction Bonds - Tax Exempt and Build America Bonds (TEB and BAB):* On September 14, 2010, the District issued \$1,005,000 in Series 2010A Tax Exempt Bonds and \$4,355,000 in 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 final 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.

*Fiscal Year 2011 Qualified School Construction Bonds (QSCB):* On August 26, 2010, the 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 issuances 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 final maturity date of November 1, 2047. The federal government will subsidize approximately 32% of the debt service of these bonds. No assets were pledged to secure these bonds.

Principal and interest requirements to retire the long-term obligations at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Fiscal Year 2011 OSFC Bonds			Fiscal Year 2011 QSCB		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 45,000	\$ 294,114	\$ 339,114	\$ 331,000	\$ 618,061	\$ 949,061
2017	55,000	291,819	346,819	335,000	618,061	953,061
2018	60,000	290,307	350,307	339,000	618,061	957,061
2019	70,000	288,485	358,485	355,000	618,061	973,061
2020	85,000	286,169	371,169	371,000	618,061	989,061
2021 - 2025	545,000	1,380,293	1,925,293	2,013,000	3,090,305	5,103,305
2026 - 2030	875,000	1,204,957	2,079,957	1,474,000	3,191,967	4,665,967
2031 - 2035	1,355,000	877,950	2,232,950	840,000	1,251,951	2,091,951
2036 - 2040	2,125,000	342,151	2,467,151	1,155,000	959,956	2,114,956
2041 - 2045	-	-	-	1,490,000	561,632	2,051,632
2046 - 2048	-	-	-	1,050,000	99,348	1,149,348
Total	<u>\$ 5,215,000</u>	<u>\$ 5,256,245</u>	<u>\$ 10,471,245</u>	<u>\$ 9,753,000</u>	<u>\$ 12,245,464</u>	<u>\$ 21,998,464</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a “special needs” district. This permits the incurrence of additional debt based upon projected five-year growth of the school district’s assessed valuation. The District was determined to be a “special needs” district by the State Superintendent.

**NOTE 10 - RISK MANAGEMENT**

**A. Commercial Insurance**

The District has 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 services 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, 2015 and June 30, 2014 are as follows:

	<u>2015</u>		<u>2014</u>
Cash and investments	\$ 68,501	\$	72,656
Actuarial liabilities	5,417		3,730

**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 health and life insurance 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 claims 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, 2015 and June 30, 2014 are as follows:

	<u>2015</u>		<u>2014</u>
Cash and investments	\$ 122,047	\$	156,006
Actuarial liabilities	n/a		173,081

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$120,079 for fiscal year 2015.

***Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)***

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

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

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$467,366 for fiscal year 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$1,540,349	\$7,641,402	\$9,181,751
Proportion of the net pension liability	0.030436%	0.03141577%	

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$2,197,620	\$1,540,349	\$987,527

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$10,939,501	\$7,641,402	\$4,852,321

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$21,765, \$14,493 and \$12,815, respectively; 91.99 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014 and 2013 were \$6,347, \$6,314 and \$5,713, respectively; 91.99 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$33,189 and \$32,182, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not party to any legal proceedings that would have a material effect, if any, on the financial condition of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 14 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and other applicable offsets 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	150,289
Current year offsets	<u>(270,049)</u>
Total	<u>\$ (119,760)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

During fiscal year 2011, the District issued a total of \$16,335,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was \$15,851,025 at June 30, 2015.

**NOTE 15 - COMMITMENTS**

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

	<u>Year End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 22,420
Nonmajor governmental funds	<u>103,681</u>
Total	<u>\$ 126,101</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 16 - SUBSEQUENT EVENT**

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

During fiscal year 2016, the District officially hired Jennifer Hedrick as its new Treasurer, replacing former Treasurer Veronica Reinhart.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS\*

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03043600%	0.03043600%
District's proportionate share of the net pension liability	\$ 1,540,349	\$ 1,809,931
District's covered-employee payroll	\$ 857,707	\$ 884,400
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.59%	204.65%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

\* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS\*

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03141577%	0.03141577%
District's proportionate share of the net pension liability	\$ 7,641,402	\$ 9,102,389
District's covered-employee payroll	\$ 3,338,329	\$ 3,209,821
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	228.90%	283.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

\* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.



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

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 120,079	\$ 123,816
Contributions in relation to the contractually required contribution	(120,079)	(123,816)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 857,707	\$ 884,400
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 467,366	\$ 449,375
Contributions in relation to the contractually required contribution	<u>(467,366)</u>	<u>(449,375)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,338,329	\$ 3,209,821
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

NOTES TO OTHER INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The management's discussion and analysis of the Hopewell-Loudon Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- The total net cash position of the District decreased \$1,959,244 or 21.29% from fiscal year 2013.
- General cash receipts accounted for \$6,400,713 or 65.64% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,350,933 or 34.36% of total governmental activities cash receipts.
- The District had \$11,710,890 in cash disbursements related to governmental activities; \$3,350,933 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The District's largest major fund is the general fund. The general fund had cash receipts of \$7,582,370 in 2014. The cash disbursements and other financing uses of the general fund totaled \$7,846,338 in 2014. The general fund's cash balance decreased \$263,968 or 6.89% from 2013 to 2014.
- The bond retirement fund had cash receipts and other financing sources of \$1,523,498 in 2014. The cash disbursements of the bond retirement fund totaled \$1,296,305 in 2014. The bond retirement fund's cash balance increased \$227,193 from 2013 to 2014.
- The classroom facilities fund had cash receipts of \$261,002 in 2014. The cash disbursements of the classroom facilities fund totaled \$1,477,925 in 2014. The classroom facilities fund's cash balance decreased \$1,216,923 from 2013 to 2014.

**Using the Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are three major governmental funds: the general fund, bond retirement fund and classroom facilities fund.

**Reporting the District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2014?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund are the general fund, bond retirement fund and classroom facilities fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

health, dental, vision and life self-insurance. The basic proprietary fund financial statements can be found on pages 20-21 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the District as a whole. The District prepared financial statements for fiscal year 2013 on the regulatory basis, which did not include a statement of net position or statement of activities. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

The table below provides a summary of the District's net cash position at June 30, 2014. Since the District did not prepare financial statements in this format for fiscal year 2013, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

	<b>Net Cash Position</b>
	Governmental Activities <u>2014</u>
<u>Assets</u>	
Equity in pooled cash and investments	\$ 7,068,734
Cash with escrow agent	20,680
Cash with fiscal agent	<u>156,006</u>
Total assets	<u>7,245,420</u>
<u>Net Cash Position</u>	
Restricted	3,316,021
Unrestricted	<u>3,929,399</u>
Total net cash position	<u>\$ 7,245,420</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2014, total net cash position of the District was \$7,245,420. A portion of the District's net position, \$3,316,021, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,929,399 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the changes in net cash position for fiscal year 2014. Since the District did not prepare financial statements in this format for fiscal year 2013, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Change in Net Cash Position**

	Governmental Activities <u>2014</u>
<b>Cash Receipts:</b>	
Program cash receipts:	
Charges for services and sales	\$ 2,179,474
Operating grants and contributions	<u>1,171,459</u>
Total program cash receipts	<u>3,350,933</u>
General cash receipts:	
Property taxes	3,119,502
Income taxes	462,500
Unrestricted grants and entitlements	2,488,705
Restricted grants and entitlements	292,031
Investment earnings	(22,052)
Miscellaneous	<u>60,027</u>
Total general cash receipts	<u>6,400,713</u>
Total cash receipts	<u>\$ 9,751,646</u>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

**Change in Net Cash Position (Continued)**

	Governmental Activities <u>2014</u>
<b>Cash Disbursements:</b>	
Instruction:	
Regular	\$ 3,894,455
Special	1,132,729
Vocational	417
Other	898
Support services:	
Pupil	319,111
Instructional staff	191,896
Board of education	36,006
Administration	540,434
Fiscal	311,633
Operations and maintenance	1,120,821
Pupil transportation	293,420
Central	35,141
Operation of non-instructional services:	
Other non-instructional services	3,231
Food service operations	316,595
Extracurricular	447,627
Facilities acquisition and construction	1,781,749
Debt service:	
Principal retirement	371,000
Interest and fiscal charges	<u>913,727</u>
Total cash disbursements	<u>11,710,890</u>
Change in net cash position	(1,959,244)
Net cash position at beginning of year (restated)	<u>9,204,664</u>
Net cash position at end of year	<u>\$ 7,245,420</u>

**Governmental Activities**

Governmental net cash position decreased by \$1,959,244 in 2014 from 2013. Total governmental disbursements of \$11,710,890 were offset by program receipts of \$3,350,933 and general receipts of \$6,400,713. Program receipts supported 28.61% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$5,028,499.

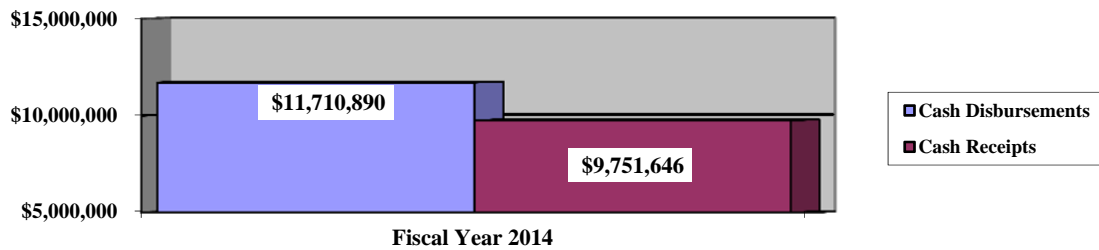
The primary sources of general receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 62.25% of total governmental receipts. Real estate property is reappraised every six years.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



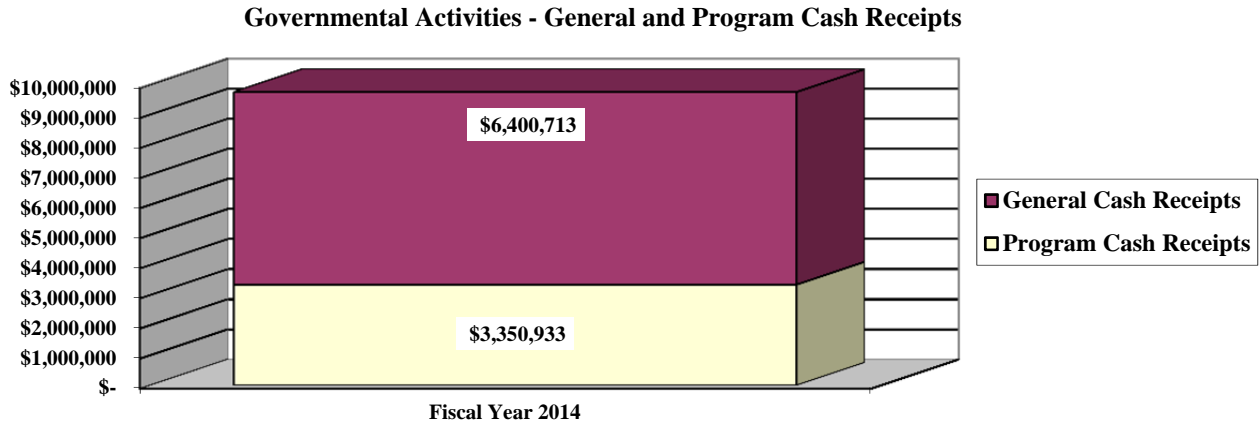
**Governmental Activities**

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Cash disbursements:</b>		
Instruction:		
Regular	\$ 3,894,455	\$ 2,237,193
Special	1,132,729	544,021
Vocational	417	(3,161)
Other	898	898
Support services:		
Pupil	319,111	261,244
Instructional staff	191,896	188,296
Board of education	36,006	36,006
Administration	540,434	539,359
Fiscal	311,633	311,633
Operations and maintenance	1,120,821	1,116,326
Pupil transportation	293,420	275,958
Central	35,141	35,141
Operation of non-instructional services:		
Other non-instructional services	3,231	(11)
Food service operations	316,595	(4,189)
Extracurricular	447,627	219,103
Facilities acquisition and construction	1,781,749	1,781,749
Debt service:		
Principal retirement	371,000	371,000
Interest and fiscal charges	<u>913,727</u>	<u>449,391</u>
<b>Total</b>	<b><u>\$ 11,710,890</u></b>	<b><u>\$ 8,359,957</u></b>

The dependence upon general cash receipts for governmental activities is apparent; with only 28.61% of cash disbursements supported through program cash receipts during 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$7,016,758, which is \$1,999,644 lower than last year's restated total of \$9,016,402. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and June 30, 2013, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2014</u>	Restated Fund Cash Balance <u>June 30, 2013</u>	<u>Change</u>
General	\$ 3,568,389	\$ 3,832,357	\$ (263,968)
Bond retirement	750,793	523,600	227,193
Classroom facilities	1,846,229	3,063,152	(1,216,923)
Other nonmajor governmental funds	<u>851,347</u>	<u>1,597,293</u>	<u>(745,946)</u>
Total	<u>\$ 7,016,758</u>	<u>\$ 9,016,402</u>	<u>\$ (1,999,644)</u>

**General Fund**

The District's largest major fund is the general fund. The general fund had cash receipts of \$7,582,370 in 2014. The cash disbursements and other financing uses of the general fund totaled \$7,846,338 in 2014. The general fund's cash balance decreased \$263,968 or 6.89% from 2013 to 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 3,008,544	\$ 2,885,868	4.25 %
Tuition	1,725,135	1,851,606	(6.83) %
Earnings on investments	17,418	15,196	14.62 %
Other local revenues	151,269	139,034	8.80 %
Intergovernmental	<u>2,680,004</u>	<u>2,518,409</u>	6.42 %
Total	<u>\$ 7,582,370</u>	<u>\$ 7,410,113</u>	2.32 %

Overall, general fund cash receipts increased \$172,257 or 2.32%. Tax, the largest receipts in the general fund, increased \$122,676 or 4.25%. This increase was the result of a roughly \$58,000 increase in income tax receipts due to the better economy and an increase of roughly \$64,000 in property taxes due to an increase in assessed property tax values. Intergovernmental receipts increased \$161,595 or 6.42%. School foundation receipts increased approximately \$123,000 due to more students in the District which increased State funding. Tuition receipts decreased \$126,471 or 6.83% which was the result of a decrease of about \$137,000 in open enrollment tuition receipts.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 4,806,354	\$ 4,419,816	8.75 %
Support services	2,262,512	2,171,593	4.19 %
Extracurricular	<u>257,227</u>	<u>199,251</u>	29.10 %
Total	<u>\$ 7,326,093</u>	<u>\$ 6,790,660</u>	7.88 %

Total disbursements of the general fund increased \$535,433 or 7.88%. Instruction disbursements increased \$386,538 or 8.75%. This increase was primarily the result of increases in regular and special instruction related to salaries and benefits. Support services increased \$90,919 or 4.19% due to increases in instructional staff and operation and maintenance.

***Budgeting Highlights - General Fund***

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

For the general fund, final budgetary basis receipts and other financing sources of \$7,530,000 were lower than the original budget estimates and other financing sources of \$7,441,031 by \$11,031. Actual cash receipts and other financing sources of \$7,544,881 were higher than final budget estimates and other financing sources by \$14,881.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

The final budgetary basis disbursements and other financing uses were increased to \$8,200,000 from original budgetary basis disbursements and other financing uses of \$8,010,883. The actual budgetary basis disbursements of \$7,820,995 were \$379,005 less than the final budget estimates.

**Capital Assets and Debt Administration**

*Capital Assets*

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$1,781,749 during fiscal year 2014.

*Debt Administration*

At June 30, 2014, the District had \$15,328,000 in bonds outstanding. Of this total \$360,000 is due within one year and \$14,968,000 is due in more than one year. The following table summarizes the obligations outstanding.

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	<u>\$ 15,328,000</u>	<u>\$ 15,699,000</u>

Refer to Note 9 to the basic financial statements for further detail.

**Current Financial Related Activities**

The District continues to maintain a high standard of service to our students, parents and the community.

The District has a stable financial outlook. The Board of Education and administration closely monitor the District's revenues and expenditures in accordance with its financial forecast.

The District has communicated to its community that it relies upon its support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was measured in May 2010 when the voters approved a 5.88 mil levy and .5% income tax for new facilities with the Ohio School Facilities Commission. The District built a new 174,000 square foot K-12 building, which opened in the fall of 2014. The last operating levy was passed in 1989. An operating levy was replaced with an emergency levy in 2005. This replacement was for \$570,000 and continues to be renewed for five year periods. Most recently, the emergency levy was renewed in May, 2014.

On May 6, 2014, voters approved a five-year emergency levy for \$570,000. This levy is important to the District's financial condition going forward and its commitment to serving its students.

All of the District's financial abilities necessary to meet the challenges the future will bring. It is imperative that the Board and administrative team continue to carefully and prudently plan in order to provide the resources required to meet students' needs over the next several years, operating within the means of the District's budget.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jennifer Hedrick, Treasurer, Hopewell-Loudon Local School District, 290 North County Road #7, Bascom, Ohio 44809-0400.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 7,068,734
Cash with escrow agent . . . . .	20,680
Cash with fiscal agent . . . . .	156,006
Total assets. . . . .	7,245,420
 <b>Net position:</b>	
Restricted for:	
Capital projects . . . . .	2,099,771
Classroom facilities maintenance . . . . .	200,196
Debt service. . . . .	750,793
Locally funded programs . . . . .	6,510
Federally funded programs . . . . .	1,137
Extracurricular activities . . . . .	40,179
Food service operations . . . . .	217,435
Unrestricted . . . . .	3,929,399
Total net position. . . . .	\$ 7,245,420

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Disbursements	Program Receipts		Net (Disbursement)
		Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,894,455	\$ 1,622,706	\$ 34,556	\$ (2,237,193)
Special . . . . .	1,132,729	137,367	451,341	(544,021)
Vocational . . . . .	417	-	3,578	3,161
Other . . . . .	898	-	-	(898)
Support services:				
Pupil. . . . .	319,111	-	57,867	(261,244)
Instructional staff . . . . .	191,896	-	3,600	(188,296)
Board of education . . . . .	36,006	-	-	(36,006)
Administration. . . . .	540,434	1,075	-	(539,359)
Fiscal. . . . .	311,633	-	-	(311,633)
Operations and maintenance . . . . .	1,120,821	4,495	-	(1,116,326)
Pupil transportation. . . . .	293,420	13,558	3,904	(275,958)
Central . . . . .	35,141	-	-	(35,141)
Operation of non-instructional services:				
Other non-instructional services . . . . .	3,231	-	3,242	11
Food service operations . . . . .	316,595	176,253	144,531	4,189
Extracurricular activities. . . . .	447,627	224,020	4,504	(219,103)
Facilities acquisition and construction	1,781,749	-	-	(1,781,749)
Debt service:				
Principal retirement . . . . .	371,000	-	-	(371,000)
Interest and fiscal charges . . . . .	913,727	-	464,336	(449,391)
<b>Total governmental activities . . . . .</b>	<b>\$ 11,710,890</b>	<b>\$ 2,179,474</b>	<b>\$ 1,171,459</b>	<b>(8,359,957)</b>

**General receipts:**

Property taxes levied for:	
General purposes . . . . .	2,546,044
Debt service. . . . .	573,458
Income taxes levied for:	
General purposes . . . . .	462,500
Grants and entitlements not restricted to specific programs . . . . .	
Grants and entitlements restricted for Ohio Facilities Construction Commissior	292,031
Investment earnings . . . . .	(22,052)
Miscellaneous . . . . .	60,027
<b>Total general receipts . . . . .</b>	<b>6,400,713</b>
Change in net cash position . . . . .	(1,959,244)
<b>Net cash position at beginning of year . . . . .</b>	<b>9,204,664</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 7,245,420</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 3,568,389	\$ 750,793	\$ 1,825,549	\$ 851,347	\$ 6,996,078
Cash with escrow agent . . . . .	-	-	20,680	-	20,680
Total assets . . . . .	<u>\$ 3,568,389</u>	<u>\$ 750,793</u>	<u>\$ 1,846,229</u>	<u>\$ 851,347</u>	<u>\$ 7,016,758</u>
<b>Fund balances:</b>					
Restricted:					
Debt service . . . . .	\$ -	\$ 750,793	\$ -	\$ -	\$ 750,793
Capital improvements . . . . .	-	-	1,846,229	253,542	2,099,771
Classroom facilities maintenance . . . . .	-	-	-	200,196	200,196
Food service operations . . . . .	-	-	-	217,435	217,435
Special education . . . . .	-	-	-	497	497
Targeted academic assistance . . . . .	-	-	-	640	640
Other purposes . . . . .	-	-	-	6,510	6,510
Extracurricular activities . . . . .	-	-	-	40,179	40,179
Committed:					
Termination benefits . . . . .	236,116	-	-	-	236,116
Assigned:					
Student and staff support . . . . .	46,378	-	-	-	46,378
Subsequent year's appropriations . . . . .	422,390	-	-	-	422,390
Capital improvements . . . . .	-	-	-	132,348	132,348
Other purposes . . . . .	8,989	-	-	-	8,989
Unassigned . . . . .	2,854,516	-	-	-	2,854,516
Total fund balances . . . . .	<u>\$ 3,568,389</u>	<u>\$ 750,793</u>	<u>\$ 1,846,229</u>	<u>\$ 851,347</u>	<u>\$ 7,016,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND CASH BALANCES TO  
NET POSITION-CASH BASIS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund cash balances</b>	\$ 7,016,758
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*Amounts reported for governmental activities on the statement of net position are different because:*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.

228,662

<b>Net position-cash basis of governmental activities</b>	<u>\$ 7,245,420</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,546,044	\$ 573,458	\$ -	\$ -	\$ 3,119,502
Income taxes . . . . .	462,500	-	-	-	462,500
Tuition . . . . .	1,725,135	-	-	-	1,725,135
Earnings on investments . . . . .	17,418	-	(31,029)	(8,225)	(21,836)
Charges for services . . . . .	-	-	-	175,847	175,847
Extracurricular . . . . .	38,253	-	-	191,754	230,007
Classroom materials and fees . . . . .	45,848	-	-	-	45,848
Rental income . . . . .	2,637	-	-	-	2,637
Contributions and donations . . . . .	4,504	-	-	500	5,004
Other local revenues . . . . .	60,027	-	-	2,946	62,973
Intergovernmental - state . . . . .	2,680,004	76,797	292,031	39,324	3,088,156
Intergovernmental - federal . . . . .	-	464,336	-	391,143	855,479
Total receipts . . . . .	<u>7,582,370</u>	<u>1,114,591</u>	<u>261,002</u>	<u>793,289</u>	<u>9,751,252</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	3,858,254	-	-	60,781	3,919,035
Special . . . . .	946,784	-	-	190,491	1,137,275
Vocational . . . . .	418	-	-	-	418
Other . . . . .	898	-	-	-	898
Support services:					
Pupil . . . . .	262,173	-	-	57,980	320,153
Instructional staff . . . . .	189,417	-	-	3,600	193,017
Board of education . . . . .	36,006	-	-	-	36,006
Administration . . . . .	542,702	-	-	1,338	544,040
Fiscal . . . . .	301,211	11,578	-	-	312,789
Operations and maintenance . . . . .	624,233	-	-	496,588	1,120,821
Pupil transportation . . . . .	271,629	-	-	24,646	296,275
Central . . . . .	35,141	-	-	-	35,141
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	-	-	-	3,231	3,231
Food service operations . . . . .	-	-	-	317,694	317,694
Extracurricular activities . . . . .	257,227	-	-	190,400	447,627
Facilities acquisition and construction . . . . .	-	-	1,477,925	303,824	1,781,749
Debt service:					
Principal retirement . . . . .	-	371,000	-	-	371,000
Interest and fiscal charges . . . . .	-	913,727	-	-	913,727
Total disbursements . . . . .	<u>7,326,093</u>	<u>1,296,305</u>	<u>1,477,925</u>	<u>1,650,573</u>	<u>11,750,896</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>256,277</u>	<u>(181,714)</u>	<u>(1,216,923)</u>	<u>(857,284)</u>	<u>(1,999,644)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	408,907	-	348,833	757,740
Transfers (out) . . . . .	(519,740)	-	-	(238,000)	(757,740)
Advances in . . . . .	-	-	-	505	505
Advances (out) . . . . .	(505)	-	-	-	(505)
Total other financing sources (uses) . . . . .	<u>(520,245)</u>	<u>408,907</u>	<u>-</u>	<u>111,338</u>	<u>-</u>
Net change in fund balances . . . . .	(263,968)	227,193	(1,216,923)	(745,946)	(1,999,644)
<b>Fund balances at beginning of year (restated)</b>	<u>3,832,357</u>	<u>523,600</u>	<u>3,063,152</u>	<u>1,597,293</u>	<u>9,016,402</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,568,389</u>	<u>\$ 750,793</u>	<u>\$ 1,846,229</u>	<u>\$ 851,347</u>	<u>\$ 7,016,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Net change in fund balances - cash basis - total governmental funds</b>	\$ (1,999,644)
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

40,400

**Change in net cash position of governmental activities**

\$ (1,959,244)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,545,729	\$ 2,542,000	\$ 2,546,044	\$ 4,044
Income taxes . . . . .	463,179	462,500	462,500	-
Tuition . . . . .	1,746,158	1,743,600	1,725,135	(18,465)
Earnings on investments . . . . .	17,025	17,000	17,418	418
Classroom materials and fees . . . . .	39,633	39,575	40,169	594
Rental income . . . . .	2,704	2,700	2,637	(63)
Other local revenues . . . . .	56,783	56,700	60,027	3,327
Intergovernmental - state . . . . .	2,658,820	2,654,925	2,680,004	25,079
Total receipts . . . . .	<u>7,530,031</u>	<u>7,519,000</u>	<u>7,533,934</u>	<u>14,934</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	3,891,700	3,989,756	3,845,232	144,524
Special . . . . .	953,344	977,311	946,784	30,527
Vocational . . . . .	15,934	16,335	418	15,917
Other . . . . .	2,173	2,228	898	1,330
Support services:				
Pupil . . . . .	276,450	283,400	262,173	21,227
Instructional staff . . . . .	185,935	192,609	189,417	3,192
Board of education . . . . .	34,646	35,517	36,006	(489)
Administration . . . . .	556,268	570,252	542,702	27,550
Fiscal . . . . .	305,236	312,910	303,461	9,449
Operations and maintenance . . . . .	666,017	682,761	624,233	58,528
Pupil transportation . . . . .	302,699	310,309	271,629	38,680
Central . . . . .	31,001	31,780	35,141	(3,361)
Extracurricular activities . . . . .	212,898	218,250	217,656	594
Total disbursements . . . . .	<u>7,434,301</u>	<u>7,623,418</u>	<u>7,275,750</u>	<u>347,668</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>95,730</u>	<u>(104,418)</u>	<u>258,184</u>	<u>362,602</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	9,500	9,500	9,449	(51)
Transfers in . . . . .	1,500	1,500	1,498	(2)
Transfers (out) . . . . .	(576,582)	(576,582)	(544,740)	31,842
Advances (out) . . . . .	-	-	(505)	(505)
Total other financing sources (uses) . . . . .	<u>(565,582)</u>	<u>(565,582)</u>	<u>(534,298)</u>	<u>31,284</u>
Net change in fund balance . . . . .	(469,852)	(670,000)	(276,114)	393,886
<b>Fund balance at beginning of year . . . . .</b>	<b>3,542,137</b>	<b>3,542,137</b>	<b>3,542,137</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>10,883</b>	<b>10,883</b>	<b>10,883</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,083,168</u></b>	<b><u>\$ 2,883,020</u></b>	<b><u>\$ 3,276,906</u></b>	<b><u>\$ 393,886</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF PROPRIETARY NET POSITION - CASH BASIS  
 PROPRIETARY FUND  
 JUNE 30, 2014

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 72,656
Cash with fiscal agent . . . . .	156,006
Total assets. . . . .	228,662
 <b>Net position:</b>	
Unrestricted. . . . .	228,662
Total net position. . . . .	\$ 228,662

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating cash receipts:</b>	
Charges for services . . . . .	\$ 891,506
<b>Operating cash disbursements:</b>	
Fringe benefits . . . . .	9,057
Purchased services . . . . .	401,673
Claims . . . . .	440,770
Total operating cash disbursements . . . . .	<u>851,500</u>
Operating income . . . . .	<u>40,006</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>394</u>
Change in net position . . . . .	40,400
<b>Net position at beginning of year. . . . .</b>	<u>188,262</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 228,662</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 32,804	\$ 82,368
<b>Net position:</b>		
Due to students . . . . .	\$ -	\$ 72,633
Due to others . . . . .	-	9,735
Held in trust for scholarships . . . . .	32,804	-
Total net position. . . . .	\$ 32,804	\$ 82,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 98
Gifts and contributions . . . . .	2,321
Total additions . . . . .	2,419
 <b>Deductions:</b>	
Scholarships awarded . . . . .	2,441
Change in net position . . . . .	(22)
 <b>Net position at beginning of year . . . . .</b>	<b>32,826</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 32,804</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - THE REPORTING ENTITY**

The Hopewell-Loudon Local School District (the "District"), Seneca County, is a local school district as defined by Section 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 grands kindergarten through grade 12. It is staff by 24 non-certified employees, 51 certified employees and 5 administrators who provide services to 897 students.

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

**A. Primary Government**

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

**C. Other Organizations**

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one 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 Schwiefert, who serves as Controller, 1210 East Bogart Road, Sandusky, Ohio 44870.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Continued

**NOTE 1 - THE REPORTING ENTITY - (Continued)**

Vanguard-Sentinel Career and Technology Centers

The Vanguard-Sentinel Career and Technology Centers (VSCTC) is a political subdivision of the State of Ohio, which provides vocational education for students. The VSCTC is operated under direction of a Board consisting of one representative from the District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The VSCTC possesses its own budgeting and taxing authority. Financial information can be obtained from Alan Binger, Vanguard-Sentinel Career and Technology Centers, at 1306 Cedar Street, Fremont, Ohio 43420.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. 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. Refer to Note 10.B. for further information on this group rating program.

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

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District's accounting policies.

**A. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. 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 cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and government-wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported in the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources restricted for the payment of general obligation bond and note principal, interest and related costs.

*Classroom facilities fund* - The classroom facilities fund is used to account for bond or note proceeds and intergovernmental revenues from the State that are restricted for building renovation under the Ohio Facilities Construction Commission (OFCC) program.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund:* The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical, dental, life and vision benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has one private-purpose trust fund. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities and District agency.

**C. Basis of Presentation**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of cash receipts and cash disbursements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Continued

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

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

The appropriations resolution is subject to amendment throughout the year with the restrictions that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Continued

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

During fiscal year 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, negotiable certificates of deposit and a U.S. government money market account. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. 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 shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$17,418, which includes \$5,918 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 5.

**F. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Accumulated 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 cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Continued

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

**K. Fund Cash Balance**

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**L. Net Cash Position**

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

**M. Interfund Activity**

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

Interfund activity between governmental funds is eliminated in the statement of activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets and deferred outflows, liabilities and deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**C. Fund Reclassifications and Change in Accounting**

In prior years the District prepared its financial statements on a regulatory basis of accounting. For fiscal year 2014, the District revised its financial presentation to the cash basis of accounting comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Rather than presenting a separate column for each fund type, the District now presents entity wide statements and also statements with a separate column for each major fund with all other funds combined in a separate column. For fiscal year 2014, the District also modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental	Total Governmental	Proprietary
Fund balance as previously reported	\$ 3,553,020	\$ 523,600	\$ 3,063,152	\$ 1,664,625	\$ 8,804,397	\$ 212,005
Fund reclassifications:						
Public school support	42,440	-	-	(42,440)	-	-
Termination benefits	228,453	-	-	(228,453)	-	-
Food service	-	-	-	203,561	203,561	(203,561)
Uniform school supplies	8,444	-	-	-	8,444	(8,444)
Total fund reclassifications	<u>279,337</u>	<u>-</u>	<u>-</u>	<u>(67,332)</u>	<u>212,005</u>	<u>(212,005)</u>
Restated fund balance at July 1, 2013	<u>\$ 3,832,357</u>	<u>\$ 523,600</u>	<u>\$ 3,063,152</u>	<u>\$ 1,597,293</u>	<u>\$ 9,016,402</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the budgetary basis statement to the cash basis statement for the general fund:

<b>Net Change in Fund Balance</b>	
	<u>General fund</u>
Budget basis	\$ (276,114)
Funds budgeted elsewhere	9,896
Adjustment for encumbrances	<u>2,250</u>
Cash basis	<u>\$ (263,968)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund and termination benefits fund.

**NOTE 5 - DEPOSITS 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those 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.

Interim monies 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 and interest by the United States;



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Continued

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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. No-load money market mutual funds consisting exclusively of obligation described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstance, corporate debt interest rate in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the 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.

**A. Cash with Escrow Agent**

The District had \$20,680 in cash held in retainage for the ongoing construction project which is included on the financial statements as "cash with escrow agents". This amount is not included in the cash balances below.

**B. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2014 was \$156,006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$4,097,780 including \$200,000 in nonnegotiable certificates of deposit. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$2,979,212 of the District’s bank balance of \$4,448,597 was exposed to custodial risk as discussed below, while \$1,469,385 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in

single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Negotiable certificates of deposit	\$ 750,000	\$ 500,000	\$ 250,000
U.S. government money market	1,055	1,055	-
STAR Ohio	<u>2,335,071</u>	<u>2,335,071</u>	<u>-</u>
Total	<u>\$ 3,086,126</u>	<u>\$ 2,836,126</u>	<u>\$ 250,000</u>

The weighted average maturity of investments is 0.09 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio and the governmental money market an AAAm money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable certificates of deposit	\$ 750,000	24.30
U.S. government money market	1,055	0.03
STAR Ohio	<u>2,335,071</u>	<u>75.67</u>
Total	<u>\$ 3,086,126</u>	<u>100.00</u>

**E. Reconciliation of Cash to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,097,780
Cash with escrow agent	20,680
Cash with fiscal agent	156,006
Investments	<u>3,086,126</u>
Total	<u>\$ 7,360,592</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,245,420
Private-purpose trust fund	32,804
Agency funds	<u>82,368</u>
Total	<u>\$ 7,360,592</u>

**NOTE 6- INTERFUND TRANSACTIONS**

**A.** Advances in/advances out consisted of the following at June 30, 2014 as reported on the fund statement:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
Nonmajor governmental fund	General fund	<u>\$ 505</u>

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. The advances will be repaid once the anticipated revenues are received.

Advances between governmental funds are eliminated on the government-wide financial statements.

**B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Continued

**NOTE 6- INTERFUND TRANSACTIONS - (Continued)**

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 408,907
Nonmajor governmental funds	110,833
<u>Transfers from a nonmajor governmental fund to:</u>	
Nonmajor governmental fund	<u>238,000</u>
Total	<u>\$ 757,740</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$238,000 from the building fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) was to fund work on the old gym that was outside of the Ohio Facilities Construction Commission (“OFCC”) project scope.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

Tangible personal property tax revenues received in the District’s fiscal year ended June 30, 2014 (other than public utility property) generally represent the collection of calendar year 2012 taxes levied against local and inter-exchange telephone companies. 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 were due September 20, 2013. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2013, with the remainder payable by September 20, 2013.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

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

by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 103,610,990	95.31	\$ 103,737,540	96.14
Public utility personal	<u>4,848,770</u>	<u>4.69</u>	<u>5,108,300</u>	<u>3.86</u>
<b>Total</b>	<b><u>\$ 108,459,760</u></b>	<b><u>100.00</u></b>	<b><u>\$ 108,845,840</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation				
General operations	\$40.17		\$40.14	
Bond retirement	5.88		5.88	

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of one half of one percent (0.50%) for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund. Total income tax revenue for fiscal year 2014 equaled \$462,500.

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2014</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
FY2011 OSFC Bonds	\$ 5,310,000	\$ -	\$ (55,000)	\$ 5,255,000	\$ 40,000
FY2011 Qualified School Construction Bonds	<u>10,389,000</u>	<u>-</u>	<u>(316,000)</u>	<u>10,073,000</u>	<u>320,000</u>
Total long-term obligations, governmental activities	<b><u>\$ 15,699,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (371,000)</u></b>	<b><u>\$ 15,328,000</u></b>	<b><u>\$ 360,000</u></b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Continued

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*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.

*FY 2011 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 20108 and 201 OC. 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.

Principal and interest requirements to retire the long-term obligations at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	FY2011 OSFC Bonds			FY2011 QSC Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 40,000	\$ 293,920	\$ 333,920	\$ 320,000	\$ 618,061	\$ 938,061
2016	45,000	294,114	339,114	331,000	618,061	949,061
2017	55,000	291,819	346,819	335,000	618,061	953,061
2018	60,000	290,307	350,307	339,000	618,061	957,061
2019	70,000	288,485	358,485	355,000	618,061	973,061
2020 - 2024	500,000	1,398,827	1,898,827	1,954,000	3,090,305	5,044,305
2025 - 2029	800,000	1,253,282	2,053,282	1,834,000	3,136,136	4,970,136
2030 - 2034	1,210,000	956,040	2,166,040	720,000	1,695,832	2,415,832
2035 - 2039	1,995,000	468,635	2,463,635	1,090,000	1,026,071	2,116,071
2040 - 2044	480,000	14,736	494,736	1,425,000	650,629	2,075,629
2045 - 2048	-	-	-	1,370,000	174,247	1,544,247
Total	<u>\$ 5,255,000</u>	<u>\$ 5,550,165</u>	<u>\$ 10,805,165</u>	<u>\$ 10,073,000</u>	<u>\$ 12,863,525</u>	<u>\$ 22,936,525</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a “special needs” district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The District was determined to be a “special needs” district by the State Superintendent.

**NOTE 10 - 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, 2014 and 2013 are as follows:

		<u>2014</u>		<u>2013</u>
Cash and investments	\$	72,656	\$	65,286
Actuarial liabilities		3,730		5,455

**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, 2014 and 2013 are as follows:

		<u>2014</u>		<u>2013</u>
Cash and investments	\$	156,006	\$	83,506
Actuarial liabilities		173,081		216,329

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Continued

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the District Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$108,831, \$101,132 and \$104,595, respectively; 86.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Continued

**NOTE 11 - PENSION PLANS - (Continued)**

are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$431,456, \$418,367 and \$439,724, respectively; 85.69 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plan for fiscal year 2014 were \$24,566 made by the District and \$19,302 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$14,493, \$12,815 and \$16,884, respectively; 86.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,314, \$5,713 and \$6,177 respectively; 86.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$33,189, \$32,182 and \$33,825, respectively; 85.69 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 13 – CONTINGENCIES (Continued)**

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 14 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	151,988
Current year offsets	(100,049)
Prior year offset from bond proceeds	<u>(51,939)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

During fiscal year 2011, the District issued a total of \$16,335,000 in capital related school improvement bonds. These proceeds may be used to reduce capital improvements set-aside amount for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$15,851,025 at June 30, 2014.

**NOTE 15 - OTHER COMMITMENTS**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Continued

**NOTE 15 - OTHER COMMITMENTS (Continued)**

	Year-End
	<u>Encumbrances</u>
<u>Fund Type</u>	
General fund	\$ 8,563
Classroom facilities fund	273,368
Other nonmajor governmental	<u>230,891</u>
Total	<u>\$ 512,822</u>



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopewell-Loudon Local School District, Seneca County, Ohio (the District) as of and for the years ended June 30, 2015 and 2014, 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 7, 2016. wherein we noted the District began using a special purpose framework other than generally accepted accounting principles and restated their fund balances to comply with GASB Statement No. 54, *Fund balance Reporting and Governmental Fund Type Definitions* in fiscal year 2014.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Finding***

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

***Purpose of this Report***

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 7, 2016

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT  
SENECA COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Noncompliance Citation**

**Ohio Rev. 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 Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Revised Code Section 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For fiscal year 2014 and 2015, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

**Officials' Response:**

The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interest of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2015 and 2014 and made the decision that the significant dollars saved, outweighed the benefit received.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B)</b> for reporting on a basis other than generally accepted accounting principles.	No	Not Corrected. Repeated in this report as finding 2015-001.