

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hopewell-Loudon Local School District, Seneca County, prepared by LublinSussman Group LLP, for the audit period July 1, 2006 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 5, 2009

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LublinSussman Group LLP

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Hopewell-Loudon Local School District, Seneca County (the District) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying combined financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2008 and 2007, in accordance with accounting principles generally accepted in the United States of America.

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

www.lublinsussman.com

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Deblin Sussman Group LLP

December 22, 2008
Toledo, Ohio

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

	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ <u>4,256,054</u>	\$ <u>3,729,537</u>
Governmental Fund Types:		
General Fund	\$ 2,707,784	\$ 2,300,799
Special Revenue Fund	260,346	204,827
Debt Service Fund	146,108	193,658
Capital Projects Funds	350,106	247,408
Proprietary Fund Types:		
Enterprise Funds	59,835	60,336
Internal Service Fund	630,000	605,961
Fiduciary Funds Types:		
Private Purpose Trust Funds	26,288	28,730
Agency Funds	<u>75,587</u>	<u>87,818</u>
Total	\$ <u>4,256,054</u>	\$ <u>3,729,537</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Fund Types				Totals (Memo. Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Sources:					
Taxes	\$ 2,513,484	\$ 0	\$ 39,598	\$ 0	\$ 2,553,082
Tuition	1,514,339	0	0	0	1,514,339
Earnings on Investment	136,524	0	0	0	136,524
Miscellaneous Receipts	138,474	34,742	0	0	173,216
Extracurricular Activities	0	277,581	0	0	277,581
Classroom Materials and Fees	44,806	0	0	0	44,806
Intergovernmental - State	2,576,420	16,704	4,117	0	2,597,241
Intergovernmental - Federal	<u>0</u>	<u>300,972</u>	<u>0</u>	<u>0</u>	<u>300,972</u>
Total Cash Receipts	<u>6,924,047</u>	<u>629,999</u>	<u>43,715</u>	<u>0</u>	<u>7,597,761</u>
Cash Disbursements:					
Instruction:					
Regular	3,445,360	47,393	0	37,044	3,529,797
Special	459,058	297,771	0	0	756,829
Vocational Education	88,495	0	0	0	88,495
Adult/Continuing	0	500	0	0	500
Other	2,723	0	0	0	2,723
Support Services:					
Pupils	304,647	5,000	0	0	309,647
Instructional Staff	121,885	6,225	0	0	128,110
Board of Education	18,626	0	0	0	18,626
Administration	543,662	3,788	0	0	547,450
Fiscal Services	246,407	0	615	0	247,022
Operation and Maintenance of Plant	481,249	2,938	0	72,658	556,845
Pupil Transportation	252,126	16,168	0	72,600	340,894
Food Service Operations	0	9,260	0	0	9,260
Community Service	0	4,712	0	0	4,712
Extracurricular Activities	188,439	230,651	0	0	419,090
Principal Payments	22,431	0	80,000	0	102,431
Interest and Fiscal Charges	<u>5,229</u>	<u>0</u>	<u>10,650</u>	<u>0</u>	<u>15,879</u>
Total Cash Disbursements	<u>6,180,337</u>	<u>624,406</u>	<u>91,265</u>	<u>182,302</u>	<u>7,078,310</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>743,710</u>	<u>5,593</u>	<u>(47,550)</u>	<u>(182,302)</u>	<u>519,451</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2008 (CONTINUED)

	Governmental Fund Types				Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects	
Other Financing Sources (Uses):					
Transfers - In	\$ 65,099	\$ 50,000	\$ 0	\$ 285,049	\$ 400,148
Refund of Prior Year Expenditures	176	0	0	0	176
Transfers - Out	<u>(402,000)</u>	<u>(74)</u>	<u>0</u>	<u>(49)</u>	<u>(402,123)</u>
Total Other Financing Sources (Uses)	<u>(336,725)</u>	<u>49,926</u>	<u>0</u>	<u>285,000</u>	<u>(1,799)</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	406,985	55,519	(47,550)	102,698	517,652
Fund Cash Balances, July 1, 2007	<u>2,300,799</u>	<u>204,827</u>	<u>193,658</u>	<u>247,408</u>	<u>2,946,692</u>
Fund Cash Balances, June 30, 2008	<u>\$ 2,707,784</u>	<u>\$ 260,346</u>	<u>\$ 146,108</u>	<u>\$ 350,106</u>	<u>\$ 3,464,344</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
 BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>		<u>Totals (Memo. Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Receipts:					
Extracurricular Activities	\$ 0	\$ 0	\$ 90,717	\$ 389	\$ 91,106
Food Services	212,661	0	0	0	212,661
Classroom Materials and Fees	<u>9,011</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,011</u>
Total Operating Cash Receipts	<u>221,672</u>	<u>0</u>	<u>90,717</u>	<u>389</u>	<u>312,778</u>
Operating Expenses:					
Employees Salaries and Wages	96,074	0	243	0	96,317
Employee Retirement and Insurance	29,261	7,491	35	0	36,787
Purchased Services	7,534	592,489	19,672	0	619,695
Supplies and Materials	183,531	0	41,068	0	224,599
Other Objects	<u>1,096</u>	<u>0</u>	<u>43,978</u>	<u>3,253</u>	<u>48,327</u>
Total Operating Cash Disbursements	<u>317,496</u>	<u>599,980</u>	<u>104,996</u>	<u>3,253</u>	<u>1,025,725</u>
Operating Income (loss)	<u>(95,824)</u>	<u>(599,980)</u>	<u>(14,279)</u>	<u>(2,864)</u>	<u>(712,947)</u>
Nonoperating Receipts:					
Earnings on Investment	2,018	24,678	0	922	27,618
State Sources	7,603	0	0	0	7,603
Federal Sources	85,013	0	0	0	85,013
Miscellaneous	<u>689</u>	<u>597,341</u>	<u>2,073</u>	<u>(500)</u>	<u>599,603</u>
Total Nonoperating Cash Receipts	<u>95,323</u>	<u>622,019</u>	<u>2,073</u>	<u>422</u>	<u>719,837</u>
Excess of Cash Receipts Over (Under) Cash Disbursements Before Interfund Transfers	(501)	22,039	(12,206)	(2,442)	6,890
Transfers In	0	2,000	0	0	2,000
Transfers Out	<u>0</u>	<u>0</u>	<u>(25)</u>	<u>0</u>	<u>(25)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(501)	24,039	(12,231)	(2,442)	8,865
Fund Cash Balances at July 1, 2007	<u>60,336</u>	<u>605,961</u>	<u>87,818</u>	<u>28,730</u>	<u>782,845</u>
Fund Cash Balances at June 30, 2008	<u>\$ 59,835</u>	<u>\$ 630,000</u>	<u>\$ 75,587</u>	<u>\$ 26,288</u>	<u>\$ 791,710</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Fund Types				Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Sources:					
Taxes	\$ 2,532,507	\$ 0	\$ 81,670	\$ 0	\$ 2,614,177
Tuition	1,297,425	0	0	0	1,297,425
Earnings on Investment	137,734	0	0	0	137,734
Miscellaneous Receipts	73,525	12,255	0	0	85,780
Extracurricular Activities	0	207,528	0	0	207,528
Classroom Materials and Fees	41,425	0	0	0	41,425
Intergovernmental - State	2,491,333	11,700	7,981	6,396	2,517,410
Intergovernmental - Federal	0	287,260	0	0	287,260
Total Cash Receipts	<u>6,573,949</u>	<u>518,743</u>	<u>89,651</u>	<u>6,396</u>	<u>7,188,739</u>
Cash Disbursements:					
Instruction:					
Regular	3,310,658	53,702	0	29,463	3,393,823
Special	364,481	265,666	0	0	630,147
Vocational Education	99,366	0	0	0	99,366
Adult/Continuing	0	755	0	0	755
Other	4,447	0	0	0	4,447
Support Services:					
Pupils	275,602	5,000	0	0	280,602
Instructional Staff	117,032	7,026	0	6,396	130,454
Board of Education	17,038	0	0	0	17,038
Administration	525,149	4,231	0	0	529,380
Fiscal Services	241,498	0	1,413	0	242,911
Operation and Maintenance of Plant	435,110	3,049	0	98,972	537,131
Pupil Transportation	232,266	12,132	0	0	244,398
Community Service	0	4,859	0	0	4,859
Extracurricular Activities	188,409	192,694	0	0	381,103
Principal Payments	20,793	0	80,000	0	100,793
Interest and Fiscal Charges	6,867	0	17,250	0	24,117
Total Cash Disbursements	<u>5,838,716</u>	<u>549,114</u>	<u>98,663</u>	<u>134,831</u>	<u>6,621,324</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>735,233</u>	<u>(30,371)</u>	<u>(9,012)</u>	<u>(128,435)</u>	<u>567,415</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2007 (CONTINUED)

	Governmental Fund Types				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memo. Only)</u>
Other Financing Sources (Uses):					
Transfers - In	\$ 20,311	\$ 68,400	\$ 0	\$ 160,000	\$ 248,711
Advances - In	2,605	0	0	0	2,605
Transfers - Out	(239,100)	(166)	0	0	(239,266)
Advances - Out	<u>0</u>	<u>(2,605)</u>	<u>0</u>	<u>0</u>	<u>(2,605)</u>
Total Other Financing Sources (Uses)	<u>(216,184)</u>	<u>65,629</u>	<u>0</u>	<u>160,000</u>	<u>9,445</u>
 Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	 519,049	 35,258	 (9,012)	 31,565	 576,860
 Fund Cash Balances, July 1, 2006	 <u>1,781,750</u>	 <u>169,569</u>	 <u>202,670</u>	 <u>215,843</u>	 <u>2,369,832</u>
 Fund Cash Balances, June 30, 2007	 <u>\$ 2,300,799</u>	 <u>\$ 204,827</u>	 <u>\$ 193,658</u>	 <u>\$ 247,408</u>	 <u>\$ 2,946,692</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
 BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>		<u>Totals (Memo. Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Receipts:					
Extracurricular Activities	\$ 0	\$ 0	\$ 104,599	\$ 411	\$ 105,010
Food Services	213,270	0	0	0	213,270
Classroom Materials and Fees	<u>7,593</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,593</u>
Total Operating Cash Receipts	<u>220,863</u>	<u>0</u>	<u>104,599</u>	<u>411</u>	<u>325,873</u>
Operating Expenses:					
Employees Salaries and Wages	103,328	0	25	0	103,353
Employee Retirement and Insurance	25,476	15,817	0	0	41,293
Purchased Services	3,693	494,483	19,765	0	517,941
Supplies and Materials	154,691	0	41,940	0	196,631
Capital Outlay	13,723	0	0	0	13,723
Other Objects	<u>1,285</u>	<u>0</u>	<u>33,125</u>	<u>3,101</u>	<u>37,511</u>
Total Operating Cash Disbursements	<u>302,196</u>	<u>510,300</u>	<u>94,855</u>	<u>3,101</u>	<u>910,452</u>
Operating Income (loss)	<u>(81,333)</u>	<u>(510,300)</u>	<u>9,744</u>	<u>(2,690)</u>	<u>(584,579)</u>
Nonoperating Receipts:					
Earnings on Investment	3,094	22,590	0	1,216	26,900
State Sources	1,382	0	0	0	1,382
Federal Sources	71,803	0	0	0	71,803
Miscellaneous	<u>489</u>	<u>592,530</u>	<u>1,520</u>	<u>2,000</u>	<u>596,539</u>
Total Nonoperating Cash Receipts	<u>76,768</u>	<u>615,120</u>	<u>1,520</u>	<u>3,216</u>	<u>696,624</u>
Excess of Cash Receipts Over (Under) Cash Disbursements Before Interfund Transfers	(4,565)	104,820	11,264	526	112,045
Transfers In	0	0	36	0	36
Transfers Out	<u>(9,300)</u>	<u>0</u>	<u>(112)</u>	<u>0</u>	<u>(9,412)</u>
Net Cash Receipts Over Cash Disbursements	(13,865)	104,820	11,188	526	102,669
Fund Cash Balances at July 1, 2006	<u>74,201</u>	<u>501,141</u>	<u>76,630</u>	<u>28,204</u>	<u>680,176</u>
Fund Cash Balances at June 30, 2007	<u>\$ 60,336</u>	<u>\$ 605,961</u>	<u>\$ 87,818</u>	<u>\$ 28,730</u>	<u>\$ 782,845</u>

See Notes to Financial Statements

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

	2008			2007		
	<u>Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
Governmental Fund Types:						
General Fund	\$ 6,723,977	\$ 6,989,322	\$ 265,345	\$ 6,248,225	\$ 6,594,260	\$ 346,035
Special Revenue Funds	679,999	679,999	0	587,142	587,143	1
Debt Service Fund	43,715	43,715	0	89,651	89,651	0
Capital Projects Funds	285,049	285,049	0	166,396	166,396	0
Proprietary Fund Types:						
Enterprise Funds	316,995	316,995	0	297,631	297,631	0
Internal Service Funds	624,019	624,019	0	615,120	615,120	0
Fiduciary Fund Types:						
Trust and Agency Funds	<u>93,602</u>	<u>94,101</u>	<u>499</u>	<u>109,782</u>	<u>109,782</u>	<u>0</u>
Total	<u>\$ 8,767,356</u>	<u>\$ 9,033,200</u>	<u>\$ 265,844</u>	<u>\$ 8,113,947</u>	<u>\$ 8,459,983</u>	<u>\$ 346,036</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Prior Year Carryover <u>Appropriations</u>	2008 <u>Appropriations</u>	<u>Total</u>	Actual 2008 <u>Disbursements</u>	Encumbrances Outstanding at <u>6/30/08</u>	<u>Total</u>	Variance: Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ 2,047	\$ 6,700,000	\$ 6,702,047	\$ 6,582,337	\$ 16,926	\$ 6,599,263	\$ 102,784
Special Revenue Funds	10,978	733,856	744,834	624,480	47,494	671,974	72,860
Debt Service Fund	0	91,265	91,265	91,265	0	91,265	0
Capital Projects Funds	6,000	226,350	232,350	182,351	49,998	232,349	1
Proprietary Fund Types:							
Enterprise Funds	0	317,496	317,496	317,496	0	317,496	0
Internal Service Funds	0	599,980	599,980	599,980	0	599,980	0
Fiduciary Fund Types:							
Trust and Agency Funds	<u>27,706</u>	<u>81,030</u>	<u>108,736</u>	<u>108,274</u>	<u>462</u>	<u>108,736</u>	<u>0</u>
Total	<u>\$ 46,731</u>	<u>\$ 8,749,977</u>	<u>\$ 8,796,708</u>	<u>\$ 8,506,183</u>	<u>\$ 114,880</u>	<u>\$ 8,621,063</u>	<u>\$ 175,645</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Prior Year Carryover <u>Appropriations</u>	2007 <u>Appropriations</u>	<u>Total</u>	Actual 2007 <u>Disbursements</u>	Encumbrances Outstanding at <u>6/30/07</u>	<u>Total</u>	Variance: Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ 76,726	\$ 6,134,418	\$ 6,211,144	\$ 6,077,817	\$ 2,047	\$ 6,079,864	\$ 131,280
Special Revenue Funds	21,362	541,499	562,861	549,280	10,978	560,258	2,603
Debt Service Fund	0	98,663	98,663	98,663	0	98,663	0
Capital Projects Funds	47,083	93,748	140,831	134,831	6,000	140,831	0
Proprietary Fund Types:							
Enterprise Funds	0	311,496	311,496	311,496	0	311,496	0
Internal Service Funds	0	510,300	510,300	510,300	0	510,300	0
Fiduciary Fund Types:							
Trust and Agency Funds	<u>9,882</u>	<u>115,892</u>	<u>125,774</u>	<u>98,068</u>	<u>27,706</u>	<u>125,774</u>	<u>0</u>
Total	<u>\$ 155,053</u>	<u>\$ 7,806,016</u>	<u>\$ 7,961,069</u>	<u>\$ 7,780,455</u>	<u>\$ 46,731</u>	<u>\$ 7,827,186</u>	<u>\$ 133,883</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

DESCRIPTION OF THE ENTITY

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements on an accounting basis not in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES

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

General Fund

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

Special Revenue Funds

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES

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

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES

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

BUDGETARY PROCESS

A. Budget

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Tax Budget

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

C. Estimated Resources

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

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal years 2008 and 2007 and do not include the unencumbered fund balances as of July 1, 2006. However, those fund balances are available for appropriations.

D. Appropriations

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrances

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

F. Lapsing of Appropriations

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

PROPERTY, PLANT, AND EQUIPMENT

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

UNPAID VACATION AND SICK LEAVE

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

TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

CASH AND INVESTMENTS

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

During fiscal year 2008 and 2007, the District's investments included a non-negotiable certificate of deposit and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments are recorded at cost. Investment earnings are allocated as authorized by State Statute and Board resolution.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

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

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

(2) DEPOSITS AND INVESTMENTS

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

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

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

Interim monies held by the District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim money available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal years ended June 30, 2008 and 2007, \$2,605,765 and \$2,942,881, respectively, of the District's bank balance of \$2,405,765 and \$2,742,881, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

INVESTMENTS

As of June 30, 2008 and 2007, the District had the following investments:

	June 30, <u>2008</u>	June 30, <u>2007</u>	<u>Maturity</u>
STAR Ohio	\$ 1,492,410	\$ 672,552	Six Months or Less
Certificate of Deposit	<u>200,000</u>	<u>200,000</u>	Twelve Months or Less
Total Investments	<u>\$ 1,692,410</u>	<u>\$ 872,552</u>	

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. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the District at June 30, 2008 and 2007:

	June 30, <u>2008</u>		June 30, <u>2007</u>	
STAR Ohio	\$ 1,492,410	88%	\$ 672,552	77%
Certificate of Deposit	<u>200,000</u>	12%	<u>200,000</u>	23%
Total Investments	<u>\$ 1,692,410</u>		<u>\$ 872,552</u>	

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

The following is a reconciliation of investments as reported above to cash and cash equivalents as reported on the statement of cash and cash equivalents and fund cash balances as of June 30, 2008 and 2007:

	June 30, <u>2008</u>	June 30, <u>2007</u>
<u>Cash and Investments</u>		
Carrying amount of deposits	\$ 2,563,644	\$ 2,856,985
Investments	<u>1,692,410</u>	<u>872,552</u>
Total	<u>\$ 4,256,054</u>	<u>\$ 3,729,537</u>

(3) PROPERTY TAX

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(3) PROPERTY TAX (CONTINUED)

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

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

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

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

(4) DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2008 and 2007, plan members contributed 10 percent of their annual-covered salary and the District contributed 14 percent. Contributions amounted to \$110,640 and \$109,500 for the years ended June 30, 2008 and 2007, respectively. The District has paid all contributions required through June 30, 2008 and 2007.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(4) DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System

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

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

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

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2008 and 2007 members of STRS contributed 10 percent of their wages to the STRS. The District contributed an amount equal to 14 percent of their wages with 13 percent used to fund the pension obligation. Contributions amounted to \$415,764 and \$416,520 for the years ended June 30, 2008 and 2007, respectively. The District has paid all contributions required through June 30, 2008 and 2007.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(5) RISK MANAGEMENT

A. Commercial Insurance

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

B. Self Insurance

The District is self insured for dental and vision benefits to employees. The District established a Self Insurance internal service fund to account for and finance the dental and vision benefits program. Under the program, the Self Insurance fund provides coverage up to a maximum of \$1,000 per individual, per year for dental insurance and various limits of coverage per individual, per year for vision insurance based on the service provided. The District reimburses the individuals for dental and vision services received up to their maximum limits.

A comparison of Self Insurance Fund cash and investments to the actuary-measured liability as of June 30, 2008 and 2007 follows:

	<u>2008</u>		<u>2007</u>
Cash and investments	\$ 7,069	\$	13,025
Actuarial liabilities	2,728		3,043

C. Health and Life Insurance Programs

The District entered into an agreement with the Ohio Mid Eastern Regional Education Service Agency (OME-RESA) for its self insured medical and life programs. OME-RESA provides jointly administrated benefit programs for schools. OME-RESA 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, 2008 and 2007 follows:

	<u>2008</u>		<u>2007</u>
Cash and investments	\$ 476,582	\$	473,279
Actuarial liabilities	171,872		117,041

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(6) PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

(7) STATE SCHOOL FUNDING DECISION

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...The Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

(8) NONCOMPLIANCE

The debt covenant for the Ohio Energy Conservation Financing Program requires the District to prepare, and an independent Ohio registered architect or engineer to certify, an annual report documenting the reduction in energy consumption and cost savings attributed to energy conservation measures. The District did not prepare this report.

(9) SET-ASIDE CALCULATIONS AND FUND RESERVES

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set Aside Cash Balance as of June 30, 2007	\$ (61,031)	\$ 0	\$ 53,000
Fiscal Year 2008 Set-Aside Requirement	124,261	124,261	65,000
Qualifying Disbursements	<u>(135,288)</u>	<u>(168,019)</u>	<u>0</u>
Balance June 30, 2008	<u>\$ (72,058)</u>	<u>\$ (43,758)</u>	<u>\$ 118,000</u>
Cash Balance Carried Forward to Fiscal Year 2009	<u>\$ (72,058)</u>	<u>\$ 0</u>	<u>\$ 118,000</u>
	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set Aside Cash Balance as of June 30, 2006	\$ (40,059)	\$ 0	\$ 33,000
Fiscal Year 2007 Set-Aside Requirement	122,781	122,781	20,000
Qualifying Disbursements	<u>(143,753)</u>	<u>(127,339)</u>	<u>0</u>
Balance June 30, 2007	<u>\$ (61,031)</u>	<u>\$ (4,558)</u>	<u>\$ 53,000</u>
Cash Balance Carried Forward to Fiscal Year 2008	<u>\$ (61,031)</u>	<u>\$ 0</u>	<u>\$ 53,000</u>

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

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(10) LONG-TERM OBLIGATIONS

The District had the following long term debt obligations at June 30, 2008 and 2007:

FY 1987 School Building Addition Bonds

On July 1, 1986, the District issued \$1,800,000 in voted general obligation bonds for constructing a building addition. The bonds were issued under the authority of Ohio Revised Code § 133.09 for a twenty-two year period, with final maturity in fiscal year 2009. The bonds are being retired through the debt service fund. An \$80,000 principal payment is due each December 1, plus semiannual interest payments at 8.25 percent. No assets are pledged to secure these bonds.

FY 2001 Energy Conservation Loan

On November 1, 2000, the District obtained a loan in the amount of \$200,000 from Fifth Third Bank to provide energy conservation measures for the District. The loan was issued under the authority of H.B. 264 amended, Ohio Revised Code § 133.06G and 3313.372-373 for a ten year period, with final maturity in fiscal year 2011. Quarterly payments are \$6,915, including interest at 70 percent of the prime rate, 3.50 percent and 5.78 percent at June 30, 2008 and June 30, 2007, respectively. No assets are pledged to secure this note.

The following is a description of the District's general obligation debt outstanding as of June 30, 2008 and 2007.

	<u>Interest Rate</u>	<u>Outstanding 7/1/07</u>	<u>Retired</u>	<u>Outstanding 6/30/08</u>	<u>Amounts Due Within One Year</u>
G.O. Bonds Payable	8.25 %	\$ 160,000	\$ (80,000)	\$ 80,000	\$ 80,000
Energy Conservation Loan	3.50 %	<u>85,563</u>	<u>(22,431)</u>	<u>63,132</u>	<u>24,130</u>
Total		<u>\$ 245,563</u>	<u>\$ (102,431)</u>	<u>\$ 143,132</u>	<u>\$ 104,130</u>

	<u>Interest Rate</u>	<u>Outstanding 7/1/06</u>	<u>Retired</u>	<u>Outstanding 6/30/07</u>	<u>Amounts Due Within One Year</u>
G.O. Bonds Payable	8.25 %	\$ 240,000	\$ (80,000)	\$ 160,000	\$ 80,000
Energy Conservation Loan	5.78 %	<u>106,356</u>	<u>(20,793)</u>	<u>85,563</u>	<u>22,431</u>
Total		<u>\$ 346,356</u>	<u>\$ (100,793)</u>	<u>\$ 245,563</u>	<u>\$ 102,431</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(10) LONG-TERM OBLIGATIONS (CONTINUED)

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

<u>Fiscal Year Ending</u>	<u>G.O. BONDS PAYABLE</u>		<u>ENERGY CONSERVATION LOAN</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 80,000	\$ 3,300	\$ 24,835	\$ 2,825
2010	0	0	26,255	1,405
2011	0	0	<u>12,042</u>	<u>282</u>
Totals	<u>\$ 80,000</u>	<u>\$ 3,300</u>	<u>\$ 63,132</u>	<u>\$ 4,512</u>

(11) JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

(12) CONTINGENT LIABILITIES

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

(13) INTERFUND TRANSFERS

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

LublinSussman Group LLP

Certified Public Accountants

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

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

To the Board of Education:

We have audited the financial statements of Hopewell-Loudon Local School District (the District) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 22, 2008, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements on a basis of accounting and presentation the Auditor of State prescribes or permits for governments which is not in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

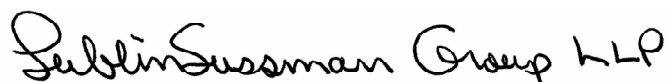
We also noted certain additional matters that we reported to management of Hopewell-Loudon Local School District in a separate letter dated December 22, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2008-001 and 2008-002.

The Hopewell-Loudon Local School District's response to the findings 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.

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



December 22, 2008
Toledo, Ohio

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
SCHEDULE OF FINDINGS
June 30, 2008

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

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

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

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

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Energy Conservation Financing Program (HB 264-1985), see also Ohio Revised Code §§133.06 and 3313.372 includes a debt covenant requiring the District to prepare and maintain an annual report documenting the reduction in energy consumption and cost savings attributed to the above program. This report must be reviewed and certified by an independent Ohio registered architect or engineer.

The District failed to prepare the aforementioned annual report. We recommend the District prepare and submit the required report.

Response: The initial annual report was not prepared due to circumstances beyond the School District's control. Subsequent reports are unable to be prepared as a result of this.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC § 117.38 - District did not report on GAAP basis.	No	Not corrected. Repeated as Finding
2006-002	Ohio Energy Conservation Financing Program. Failure to submit annual report.	No	Not corrected. Repeated as Finding



Mary Taylor, CPA
Auditor of State

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2009