



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Hopewell-Loudon Local School District
181 North County Road 7
Bascom, Ohio 44809

We have reviewed the *Independent Auditor's Report* of the Hopewell-Loudon Local School District, Seneca County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2021 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 29, 2024

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

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hopewell-Loudon Local School District, Seneca County, Ohio (the District), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis 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, 2023 and 2022, and respective changes in the cash-basis financial position and the budgetary comparison for the General Fund for the years then ended in accordance with the cash-basis of accounting as described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 16 to the 2022 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Emphasis of Matter - 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 of accounting. The financial statements are prepared on the cash

basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

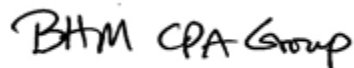
Other Information

We applied no procedures to managements' discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
February 26, 2024

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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 2023 are as follows:

- The total net cash position of the District increased \$1,894,884 or 18.79% from fiscal year 2022 net cash position.
- General cash receipts accounted for \$11,315,191 in cash receipts or 80.67% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$2,710,778 in cash receipts or 19.33% of total cash receipts of \$14,025,969.
- The District had \$12,131,085 in cash disbursements related to governmental activities; \$2,710,778 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 \$11,315,191 were adequate to provide for these programs during fiscal year 2023.
- The District’s major governmental funds are the general fund, the permanent improvement fund, and the capital projects fund. The general fund had \$10,635,558 in cash receipts and \$9,691,408 in cash disbursements and other financing uses. During fiscal year 2023, the general fund’s fund cash balance increased \$944,150 from \$2,494,262 to \$3,438,412.
- The permanent improvement fund had \$30,000 in cash receipts and \$1,095,030 in cash disbursements. During fiscal year 2023, the permanent improvement fund’s fund cash balance decreased \$1,065,030 from \$5,202,199 to \$4,137,169.
- The capital projects fund had \$1,029,951 in other financing sources and \$11,185 in cash disbursements. During fiscal year 2023, the capital projects fund’s fund cash balance increased \$1,018,766 from \$982,368 to \$2,001,134.

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 provides 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 permanent improvement fund, and the capital projects fund are the only funds reported as major funds.

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 answers the question, “How did the District do financially during fiscal year 2023?” 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, 2023**

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.

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 12-13 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. 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 funds are the general fund, the permanent improvement fund, and the capital projects 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. The basic governmental fund financial statements can be found on pages 14-18 of this report.

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. The basic proprietary fund financial statements can be found on pages 19-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs that the District does not have administrative involvement in determining the recipient of the scholarship. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in custodial funds. 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 on pages 21-22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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. These notes to the basic financial statements can be found on pages 24-54 of this report.

Government-wide Financial Analysis

The table below provides a summary of the District's net cash position at June 30, 2023 and June 30, 2022.

	Net Cash Position	
	Governmental Activities 2023	Governmental Activities 2022
	<u> </u>	<u> </u>
<u>Assets</u>		
Current assets	\$ 11,978,207	\$ 10,083,323
	<u> </u>	<u> </u>
<u>Net Cash Position</u>		
Restricted	1,815,593	1,179,163
Unrestricted	<u>10,162,614</u>	<u>8,904,160</u>
Total net cash position	<u>\$ 11,978,207</u>	<u>\$ 10,083,323</u>

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2023, the total net cash position of the District was \$11,978,207. A portion of the District's net cash position, \$1,815,593, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$10,162,614 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for fiscal years 2023 and 2022.

	Change in Net Cash Position	
	Governmental Activities 2023	Governmental Activities 2022
	<u> </u>	<u> </u>
<u>Cash receipts:</u>		
Program cash receipts:		
Charges for services and sales	\$ 995,632	\$ 761,049
Operating grants and contributions	1,585,146	859,767
Capital grants and contributions	130,000	7,750
General cash receipts:		
Property taxes	5,654,228	5,741,200
Income taxes	638,789	564,349
Unrestricted grants and entitlements	4,681,648	4,111,641
Investment earnings	318,043	20,721
Miscellaneous	<u>22,483</u>	<u>15,723</u>
Total cash receipts	<u>14,025,969</u>	<u>12,082,200</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Change in Net Cash Position (Continued)	
	Governmental Activities 2023	Governmental Activities 2022
	<u>2023</u>	<u>2022</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	\$ 3,982,100	\$ 4,405,155
Special	1,806,690	1,759,990
Vocational	3,843	1,567
Other	446	317
Support services:		
Pupil	475,952	554,041
Instructional staff	198,769	199,230
Board of education	79,953	30,927
Administration	563,836	630,950
Fiscal	471,627	457,726
Operations and maintenance	1,630,512	811,097
Pupil transportation	797,115	363,865
Central	13,921	14,195
Operation of non-instructional services:		
Food service operations	357,288	320,981
Other non-instructional services	13,520	3,527
Extracurricular activities	704,169	680,960
Facilities acquisition and construction	11,384	5,470
Debt service:		
Principal retirement	510,000	490,000
Interest and fiscal charges	509,960	576,768
Total cash disbursements	<u>12,131,085</u>	<u>11,306,766</u>
Change in net cash position	1,894,884	775,434
Net cash position at beginning of year	<u>10,083,323</u>	<u>9,307,889</u>
Net cash position at end of year	<u>\$ 11,978,207</u>	<u>\$ 10,083,323</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$1,894,884. Total governmental cash disbursements of \$12,131,085 were offset by program cash receipts of \$2,710,778 and general cash receipts of \$11,315,191. Program cash receipts supported 22.35% of the total governmental cash disbursements. The largest cash disbursement category of the District is for instructional programs, which totaled \$5,793,079.

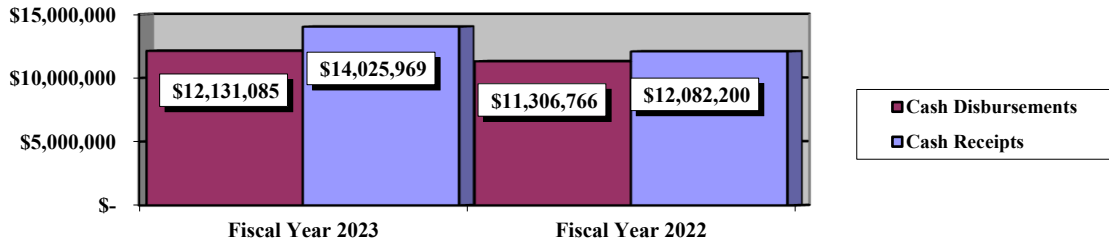
The primary sources of cash receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These cash receipt sources represent 78.25% of total governmental cash receipts. Real estate property is reappraised every six years.

The graph below presents the District's cash receipts and cash disbursements for fiscal years 2023 and 2022.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 2023 and 2022.

Governmental Activities

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Cash disbursements:				
Instruction:				
Regular	\$ 3,982,100	\$ 3,701,878	\$ 4,405,155	\$ 4,278,519
Special	1,806,690	751,267	1,759,990	1,493,160
Vocational	3,843	3,843	1,567	1,567
Other	446	446	317	317
Support services:				
Pupil	475,952	273,227	554,041	381,378
Instructional staff	198,769	188,452	199,230	194,997
Board of education	79,953	79,953	30,927	30,927
Administration	563,836	547,473	630,950	622,193
Fiscal	471,627	465,342	457,726	457,604
Operations and maintenance	1,630,512	1,472,475	811,097	803,580
Pupil transportation	797,115	769,022	363,865	343,276
Central	13,921	13,921	14,195	14,195
Operation of non-instructional services:				
Food service operations	357,288	(42,909)	320,981	(233,202)
Other non-instructional services	13,520	6,944	3,527	3,371
Extracurricular activities	704,169	157,629	680,960	214,080
Facilities acquisition and construction	11,384	11,384	5,470	5,470
Debt service:				
Principal retirement	510,000	510,000	490,000	490,000
Interest and fiscal charges	509,960	509,960	576,768	576,768
Total	<u>\$ 12,131,085</u>	<u>\$ 9,420,307</u>	<u>\$ 11,306,766</u>	<u>\$ 9,678,200</u>

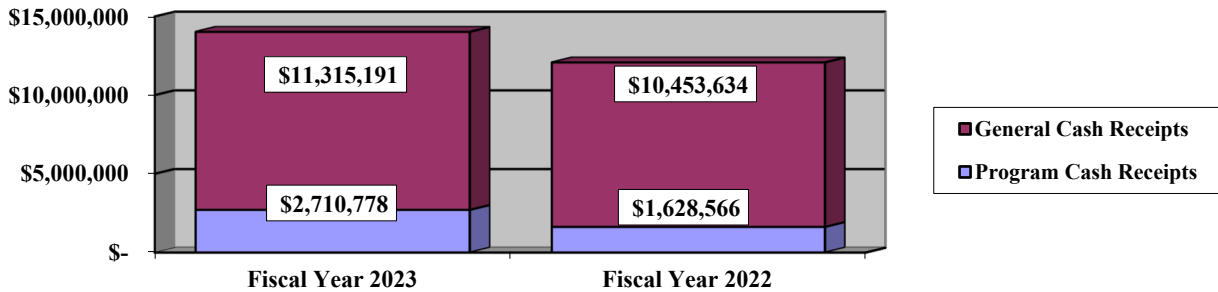
The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 77.65% of cash disbursements are supported through taxes and other general cash receipts.

The graph below presents the District's governmental activities cash receipts for fiscal years 2023 and 2022.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 \$11,187,405, which is more than last year's total fund cash balance of \$9,451,317. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2023 and June 30, 2022.

	Fund Cash Balance <u>June 30, 2023</u>	Fund Cash Balance <u>June 30, 2022</u>	Increase/ (Decrease)	Percentage Change
General	\$ 3,438,412	\$ 2,494,262	\$ 944,150	37.85 %
Permanent improvement	4,137,169	5,202,199	(1,065,030)	(20.47) %
Capital projects	2,001,134	982,368	1,018,766	100.00 %
Nonmajor governmental	1,610,690	772,488	838,202	108.51 %
Total	<u>\$ 11,187,405</u>	<u>\$ 9,451,317</u>	<u>\$ 1,736,088</u>	18.37 %

General Fund

The District's general fund cash balance increased \$944,150.

The table that follows assists in illustrating the cash receipts of the general fund for fiscal years 2023 and 2022.

	<u>2023 Amount</u>	<u>2022 Amount</u>	Percentage <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 5,628,983	\$ 5,631,191	(0.04) %
Tuition and fees	280,075	241,641	15.91 %
Investment earnings	307,775	17,813	1,627.81 %
Intergovernmental	4,353,094	4,377,414	(0.56) %
Other receipts	65,631	57,566	14.01 %
Total	<u>\$ 10,635,558</u>	<u>\$ 10,325,625</u>	3.00 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Overall cash receipts of the general fund increased \$309,933 or 3.00%. Earnings on investments increased during fiscal year 2023 due to an increase in interest rates. All other receipts during fiscal year 2023 remained comparable to 2022.

The table that follows assists in illustrating the cash disbursements of the general fund for fiscal years 2023 and 2022.

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements:</u>			
Instruction	\$ 5,486,637	\$ 5,800,600	(5.41) %
Support services	2,824,529	2,760,737	2.31 %
Operation of non-instructional services	10,082	-	100.00 %
Extracurricular activities	290,160	286,299	1.35 %
Facilities acquisition and construction	-	3,975	100.00 %
Total	<u>\$ 8,611,408</u>	<u>\$ 8,851,611</u>	(2.71) %

Overall, there was a decrease in cash disbursements of \$240,203 or 2.71% All disbursements remained comparable to 2022.

Permanent Improvement Fund

The permanent improvement fund had \$30,000 in cash receipts and \$1,095,030 in cash disbursements. During fiscal year 2023, the permanent improvement fund's fund cash balance decreased \$1,065,030 from \$5,202,199 to \$4,137,169.

Capital Projects Fund

The capital projects fund had \$1,029,951 in other financing sources and \$11,185 in cash disbursements. During fiscal year 2023, the capital projects fund's fund cash balance increased \$1,018,766 from \$982,368 to \$2,001,134.

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, original and final budgetary basis receipts were \$9,994,340. Actual budgetary basis receipts and other financing sources of \$10,588,271 were \$593,931 greater than the final budget estimates.

The original and final budgetary basis disbursements and other financing uses were \$10,707,933. The actual budgetary basis disbursements and other financing uses of \$9,798,744 were \$909,189 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.

Debt Administration

At June 30, 2023, the District had \$11,079,000 in bonds outstanding. Of this total, \$525,000 is due within one year and \$10,554,000 is due in more than one year. The following table summarizes the general obligation bonds outstanding at June 30, 2023 and June 30, 2022.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Governmental Activities 2023</u>	<u>Governmental Activities 2022</u>
General obligation bonds	<u>\$ 11,079,000</u>	<u>\$ 11,589,000</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. The emergency levy was renewed on November 6, 2018. A substitute levy to replace the emergency levy is on the ballot for November of 2023, which would be a continuing levy. 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 the District some financial stability that will help offset funding concerns associated with the District’s enrollment figures.

During fiscal year 2017, the District advance refunded \$8,890,000 of the Series 2010 bonds issued for school construction. The refunding was undertaken to reduce the combined total future debt service payments by \$1,086,739 resulting in a net present value savings of \$718,317.

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 Mr. Jeff Dornbusch, Treasurer, Hopewell-Loudon Local School District, 181 North County Road #7, Bascom, Ohio 44809-0400.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 11,192,679
Cash with fiscal agent	785,528
Total assets	11,978,207
 Net cash position:	
Restricted for:	
Classroom facilities maintenance	542,818
Debt service	409,619
Locally funded programs	3,436
State funded programs	3,600
Federally funded programs	233,518
Food service operations	275,866
Student activities	328,537
Scholarships	18,199
Unrestricted	10,162,614
Total net cash position	\$ 11,978,207

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, 2023

	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	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 3,982,100	\$ 115,986	\$ 164,236	\$ -	\$ (3,701,878)
Special	1,806,690	151,989	903,434	-	(751,267)
Vocational	3,843	-	-	-	(3,843)
Other	446	-	-	-	(446)
Support services:					
Pupil	475,952	-	202,725	-	(273,227)
Instructional staff	198,769	-	10,317	-	(188,452)
Board of education	79,953	-	-	-	(79,953)
Administration	563,836	8,144	8,219	-	(547,473)
Fiscal	471,627	-	6,285	-	(465,342)
Operations and maintenance	1,630,512	25	28,012	130,000	(1,472,475)
Pupil transportation	797,115	21,255	6,838	-	(769,022)
Central	13,921	-	-	-	(13,921)
Operation of non-instructional services:					
Food service operations	357,288	221,772	178,425	-	42,909
Other non-instructional services	13,520	-	6,576	-	(6,944)
Extracurricular activities	704,169	476,461	70,079	-	(157,629)
Facilities acquisition and construction	11,384	-	-	-	(11,384)
Debt service:					
Principal retirement	510,000	-	-	-	(510,000)
Interest and fiscal charges	509,960	-	-	-	(509,960)
Total governmental activities	\$ 12,131,085	\$ 995,632	\$ 1,585,146	\$ 130,000	(9,420,307)

General cash receipts:

Property taxes levied for:	
General purposes	4,990,194
Debt service	664,034
Income taxes levied for:	
General purposes	638,789
Grants and entitlements not restricted to specific programs	4,681,648
Investment earnings	318,043
Miscellaneous	22,483
Total general cash receipts	11,315,191
 Change in net position	 1,894,884
 Net cash position at beginning of year	 10,083,323
 Net cash position at end of year	 \$ 11,978,207

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, 2023

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 3,438,412	\$ 4,137,169	\$ 2,001,134	\$ 1,610,690	\$ 11,187,405
Fund cash balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 409,619	\$ 409,619
Classroom facilities maintenance	-	-	-	542,818	542,818
Food service operations	-	-	-	275,866	275,866
State funded programs	-	-	-	3,600	3,600
Federally funded programs	-	-	-	233,518	233,518
Extracurricular activities	-	-	-	328,537	328,537
Scholarships	-	-	-	18,199	18,199
Other purposes	-	-	-	3,436	3,436
Committed:					
Capital improvements	-	486,788	2,001,134	-	2,487,922
Termination benefits	290,366	-	-	-	290,366
Assigned:					
Student instruction	32,009	-	-	-	32,009
Student and staff support	93,404	-	-	-	93,404
Capital improvements	-	3,650,381	-	-	3,650,381
Other purposes	2,204	-	-	-	2,204
Unassigned (deficit)	3,020,429	-	-	(204,903)	2,815,526
Total fund cash balances	<u>\$ 3,438,412</u>	<u>\$ 4,137,169</u>	<u>\$ 2,001,134</u>	<u>\$ 1,610,690</u>	<u>\$ 11,187,405</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, 2023

Total governmental fund cash balances	\$ 11,187,405
<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>790,802</u>
Net position - cash basis of governmental activities	<u><u>\$ 11,978,207</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, 2023

	General	Permanent Improvement	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:					
Property taxes	\$ 4,990,194	\$ -	\$ -	\$ 664,034	\$ 5,654,228
Income taxes	638,789	-	-	-	638,789
Intergovernmental	4,353,094	-	-	2,002,982	6,356,076
Investment earnings	307,775	-	-	-	307,775
Tuition and fees	280,075	-	-	-	280,075
Extracurricular	33,205	-	-	460,585	493,790
Rental income	25	-	-	-	25
Charges for services	-	-	-	221,742	221,742
Contributions and donations	9,918	30,000	-	-	39,918
Miscellaneous	22,483	-	-	800	23,283
Total cash receipts	<u>10,635,558</u>	<u>30,000</u>	<u>-</u>	<u>3,350,143</u>	<u>14,015,701</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	3,967,341	-	-	98,254	4,065,595
Special	1,514,993	-	-	322,188	1,837,181
Vocational	3,843	-	-	-	3,843
Other	460	-	-	-	460
Support services:					
Pupil	456,244	-	-	28,166	484,410
Instructional staff	194,486	-	-	6,907	201,393
Board of education	79,953	-	-	-	79,953
Administration	561,981	-	-	11,878	573,859
Fiscal	458,362	-	-	19,439	477,801
Operations and maintenance	762,983	803,782	-	66,762	1,633,527
Pupil transportation	296,599	291,248	11,185	199,559	798,591
Central	13,921	-	-	-	13,921
Operation of non-instructional services:					
Food service operations	-	-	-	360,043	360,043
Other non-instructional services	10,082	-	-	3,438	13,520
Extracurricular activities	290,160	-	-	414,012	704,172
Facilities acquisition and construction	-	-	-	11,384	11,384
Debt service:					
Principal retirement	-	-	-	510,000	510,000
Interest and fiscal charges	-	-	-	509,960	509,960
Total cash disbursements	<u>8,611,408</u>	<u>1,095,030</u>	<u>11,185</u>	<u>2,561,990</u>	<u>12,279,613</u>
Excess of cash receipts over (under) cash disbursements	<u>2,024,150</u>	<u>(1,065,030)</u>	<u>(11,185)</u>	<u>788,153</u>	<u>1,736,088</u>
Other financing sources (uses):					
Transfers in	-	-	1,029,951	50,049	1,080,000
Transfers (out)	(1,080,000)	-	-	-	(1,080,000)
Total other financing sources (uses)	<u>(1,080,000)</u>	<u>-</u>	<u>1,029,951</u>	<u>50,049</u>	<u>-</u>
Net change in fund cash balances	944,150	(1,065,030)	1,018,766	838,202	1,736,088
Fund cash balances at beginning of year	<u>2,494,262</u>	<u>5,202,199</u>	<u>982,368</u>	<u>772,488</u>	<u>9,451,317</u>
Fund cash balances at end of year	<u>\$ 3,438,412</u>	<u>\$ 4,137,169</u>	<u>\$ 2,001,134</u>	<u>\$ 1,610,690</u>	<u>\$ 11,187,405</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, 2023

Net change in fund balances - cash basis - total governmental funds \$ 1,736,088

*Amounts reported for governmental activities in the
statement of activities - cash basis are different because:*

An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the district-wide statement of activities - cash basis. Governmental fund cash disbursements are 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.

158,796

Change in net cash position of governmental activities

\$ 1,894,884

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, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Property taxes	\$ 5,154,300	\$ 5,154,300	\$ 4,990,194	\$ (164,106)
Income taxes	570,000	570,000	638,789	68,789
Intergovernmental	3,997,000	3,997,000	4,353,094	356,094
Investment earnings	20,000	20,000	307,775	287,775
Tuition and fees	239,590	239,590	275,911	36,321
Rental income	150	150	25	(125)
Miscellaneous	13,300	13,300	20,132	6,832
Total budgetary basis receipts	<u>9,994,340</u>	<u>9,994,340</u>	<u>10,585,920</u>	<u>591,580</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	4,631,170	4,631,170	3,948,845	682,325
Special	1,621,894	1,621,894	1,534,993	86,901
Vocational	6,938	6,938	3,843	3,095
Other	-	-	460	(460)
Support services:				
Pupil	461,829	461,829	456,244	5,585
Instructional staff	193,325	193,325	202,413	(9,088)
Board of education	50,429	50,429	79,953	(29,524)
Administration	639,376	639,376	563,481	75,895
Fiscal	459,927	459,927	463,452	(3,525)
Operations and maintenance	725,169	725,169	797,438	(72,269)
Pupil transportation	350,894	350,894	296,599	54,295
Central	21,815	21,815	13,921	7,894
Extracurricular activities	249,693	249,693	237,102	12,591
Facilities acquisition and construction	7,809	7,809	-	7,809
Total budgetary basis disbursements	<u>9,420,268</u>	<u>9,420,268</u>	<u>8,598,744</u>	<u>821,524</u>
Excess of cash receipts over cash disbursements	<u>574,072</u>	<u>574,072</u>	<u>1,987,176</u>	<u>1,413,104</u>
Other financing sources (uses):				
Refund of prior year's disbursements	-	-	2,351	2,351
Transfers (out)	(1,287,665)	(1,287,665)	(1,200,000)	87,665
Total other financing sources (uses)	<u>(1,287,665)</u>	<u>(1,287,665)</u>	<u>(1,197,649)</u>	<u>90,016</u>
Net change in fund cash balance	(713,593)	(713,593)	789,527	1,503,120
Unencumbered fund balance at beginning of year	2,059,816	2,059,816	2,059,816	-
Prior year encumbrances appropriated	171,086	171,086	171,086	-
Unencumbered fund balance at end of year	<u>\$ 1,517,309</u>	<u>\$ 1,517,309</u>	<u>\$ 3,020,429</u>	<u>\$ 1,503,120</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2023

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and investments	\$ 5,274
Cash with fiscal agent	785,528
Total assets	<u>790,802</u>
Net cash position:	
Unrestricted	<u>790,802</u>
Total net cash position	<u>\$ 790,802</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 NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Governmental Activities - Internal Service Fund
Operating cash receipts:	
Charges for services	\$ 1,678,261
Operating cash disbursements:	
Purchased services	460,212
Claims	1,069,521
Total operating cash disbursements	1,529,733
Operating income	148,528
Nonoperating cash receipts:	
Interest receipts	10,268
Change in net cash position	158,796
Net cash position at beginning of year	632,006
Net cash position at end of year	\$ 790,802

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, 2023

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 25,672
Net cash position:	
Held for individuals	<u>25,672</u>
Total net cash position	<u>\$ 25,672</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 FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Custodial
Additions:	
Contributions and donations	\$ 18,736
Amounts collected for individuals	229,430
Total additions	248,166
Deductions:	
Distributions to individuals	238,020
Scholarships awarded	4,900
Total deductions	242,920
Change in net position	5,246
Net cash position at beginning of year	20,426
Net cash position at end of year	\$ 25,672

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 38 non-certified employees, 52 certified employees, and 4 administrators who provide services to 759 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 Matt Bauer, 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, 2023

NOTE 1 - THE REPORTING ENTITY - (Continued)

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.

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 yet collected) and certain 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 this financial statement.

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, 2023**

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.

Permanent Improvement fund - The permanent improvement fund is used to account for the acquisition, construction, or improvement of capital facilities.

Capital Projects fund - The capital projects fund is used to accumulate money for one or more capital projects.

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

PROPRIETARY FUNDS

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 custodial 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. The District's custodial funds account for funds collected and distributed on behalf of other school districts, funds held for individuals within the District, and contributions and donations collected and distributed for scholarships. The District has no administrative involvement in determining the recipient of the scholarships. The District does not have pension trust funds, private-purpose trust funds or investment trust funds.

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, 2023**

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 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 custodial 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 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 2023, the District invested in the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, U.S. Treasury notes, U.S. Treasury bills, federal agency securities (FHLB, FFCB and FHLMC) and U.S. government money market fund. In accordance with the cash basis of accounting, all District investments are reported at cost, except for STAR Ohio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2023 amounted to \$307,775, which includes \$219,140 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/Other Postemployment Benefits (OPEB)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

J. Employer Contributions to Cost-Sharing Pension Plans

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. Leases

The District is the lessee in a lease related to equipment under a noncancelable lease. Lease payables are not reflected under the District's cash basis of accounting. Lease disbursements are recognized when they are paid.

L. Subscription Based Information Technology Arrangements (SBITAs)

The District has Subscription Based Information Technology Arrangements (SBITAs) under noncancelable arrangements. SBITA payables are not reflected under the District's cash basis of accounting. SBITA disbursements are recognized when they are paid.

M. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, financed purchase transaction, or SBITA is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments, financed purchase payments, and SBITA payments are reported when paid.

N. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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.

O. 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.

P. 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.

Q. 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.

R. 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 2023.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2023, the District has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The notes to the basic financial statements include the disclosure requirements under the Statement.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 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 basic 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 basic 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2023 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Miscellaneous state grants	\$ 165,260
Elementary and secondary school emergency	39,643

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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	\$ 789,527
Funds budgeted elsewhere	73,642
Adjustment for encumbrances	<u>80,981</u>
Cash basis	<u>\$ 944,150</u>

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, trust staff fund, the public school fund, and the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 fair 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), the State Treasury Asset Reserve of Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2023 was \$785,528.

B. Deposits with Financial Institutions

At June 30, 2023, the carrying amount of all School District deposits was \$763,845. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2023, \$348,628 of the School District's bank balance of \$870,050 was collateralized by pledged collateral held by a financial institution in the District's name as discussed below, while \$521,422 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2023, the School District's financial institutions had a collateral rate of 102% through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2023, the District had the following investments and maturities:

Investment type	Carrying Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
STAR Ohio	\$ 4,363,943	\$ 4,363,943	\$ -	\$ -	\$ -
Negotiable CD's	2,010,000	-	388,000	982,000	640,000
U. S. Treasury notes	1,166,380	1,166,380	-	-	-
U. S. Treasury bills	286,979	286,979	-	-	-
FHLB	1,811,563	1,000,000	811,563	-	-
FFCB	315,000	-	-	-	315,000
FHLMC	500,000	-	-	-	500,000
U. S. Treasury money market fund	641	641	-	-	-
Total	\$ 10,454,506	\$ 6,817,943	\$ 1,199,563	\$ 982,000	\$ 1,455,000

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The U.S. Treasury money market fund was not rated. The U.S. Treasury notes, the U.S. Treasury bills and the federal agency securities (FHLMC, FFCB, and FHLB) carry a rating of Aaa by Moody's and AA+ and AAA from Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. 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 negotiable CD's are fully covered by FDIC and are not rated. 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, 2023:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 4,363,943	41.74
Negotiable CD's	2,010,000	19.23
U. S. Treasury notes	1,166,380	11.16
U. S. Treasury bills	286,979	2.74
FHLB	1,811,563	17.33
FFCB	315,000	3.01
FHLMC	500,000	4.78
U. S. Treasury money market fund	641	0.01
Total	<u>\$ 10,454,506</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, 2023:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 763,845
Cash with fiscal agent	785,528
Investments	<u>10,454,506</u>
Total	<u>\$ 12,003,879</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 11,978,207
Custodial funds	<u>25,672</u>
Total	<u>\$ 12,003,879</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2023 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Capital projects fund	\$ 1,029,951
Nonmajor governmental funds	<u>50,049</u>
	<u>\$ 1,080,000</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.

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 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 receipts received in calendar year 2023 represent the collection of calendar year 2022 taxes. Public utility real and personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, 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, 2023, are available to finance fiscal year 2023 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 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 128,756,590	48.01	\$ 129,731,190	48.98
Public utility personal	<u>139,429,140</u>	<u>51.99</u>	<u>135,154,450</u>	<u>51.02</u>
Total	<u>\$ 268,185,730</u>	<u>100.00</u>	<u>\$ 264,885,640</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.78		\$40.81	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 2023 equaled \$638,789.

NOTE 9 - DEBT

A. During fiscal year 2023, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/22</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/23</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Series 2010 OSFC Bonds	\$ 360,000	\$ -	\$ (110,000)	\$ 250,000	\$ 120,000
Series 2010 Qualified School Construction Bonds	2,709,000	-	(400,000)	2,309,000	405,000
Series 2016 Refunding OSFC Bonds	4,085,000	-	-	4,085,000	-
Series 2016 Refunding Qualified School Construction Bonds	<u>4,435,000</u>	<u>-</u>	<u>-</u>	<u>4,435,000</u>	<u>-</u>
Total Long-Term Obligations, Governmental Activities	<u>\$ 11,589,000</u>	<u>\$ -</u>	<u>\$ (510,000)</u>	<u>\$ 11,079,000</u>	<u>\$ 525,000</u>

Series 2010 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. During fiscal year 2023, the District made a principal payment of \$110,000.

Series 2010 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. During fiscal year 2023, the District made a principal payment of \$400,000.

Series 2016 Refunding Ohio School Facilities Construction Bonds – Build America Bonds (BAB): On October 12, 2016, the District issued \$4,085,000 in Series 2016 BAB Refunding Bonds for the refunding of the Series 2010B Build America Bonds. The refunding bonds were issued at a premium of \$457,282.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - DEBT - (Continued)

The District incurred \$156,342 in issuance costs and made a payment to the refunded bond escrow agent in the amount of \$4,385,940. The Series 2010B Build America Bonds are considered in-substance defeased as a result of the refunding. The refunding was undertaken to reduce the combined total future debt service payments by \$478,647 resulting in a net present value savings of \$334,851. These Series 2016 BAB Refunding Bonds have a final maturity of November 1, 2039 and bears an interest rate of 4.00%. Interest payments on the 2016 BAB Refunding Bonds are due May 1 and November 1 of each year. Payments of principal and interest are recorded as cash disbursements of the bond retirement fund, a nonmajor governmental fund.

Series 2016 Refunding Qualified School Construction Bonds (QSCB): On October 12, 2016, the District issued \$4,435,000 in Series 2016 QSCB Refunding Bonds for the refunding of the Series 2010B and 2010C School Facilities Construction and Improvement Bonds. The refunding bonds were issued at a premium of \$241,603. The District incurred \$109,649 in issuance costs and made a payment to the refunded bond escrow agent in the amount of \$4,566,954. The Series 2010B and 2010C School Facilities Construction and Improvement Bonds are considered in-substance defeased as a result of the refunding. The refunding was undertaken to reduce the combined total future debt service payments by \$599,092 resulting in a net present value savings of \$383,466. The Series 2016 QSCB Refunding Bonds have a final maturity of November 1, 2047 and bear interest rates ranging between 3.250 - 4.00%. Interest payments on the Series 2016 QSCB Refunding Bonds are due May 1 and November 1 of each year. Payments of principal and interest are recorded as cash disbursements of the bond retirement fund, a nonmajor governmental fund.

Principal and interest requirements to retire the long-term obligations at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Series 2010 OSFC Bonds			Series 2010 QSCB		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 120,000	\$ 9,375	\$ 129,375	\$ 405,000	\$ 118,493	\$ 523,493
2025	130,000	4,875	134,875	430,000	96,367	526,367
2026	-	-	-	438,000	72,876	510,876
2027	-	-	-	441,000	48,949	489,949
2028	-	-	-	455,000	24,857	479,857
2029 - 2030	-	-	-	140,000	790,000	930,000
Total	<u>\$ 250,000</u>	<u>\$ 14,250</u>	<u>\$ 264,250</u>	<u>\$ 2,309,000</u>	<u>\$ 1,151,542</u>	<u>\$ 3,460,542</u>

Fiscal Year Ending June 30,	Series 2016 Refunding OSFC Bonds			Series 2016 Refunding QSCB		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ -	\$ 163,400	\$ 163,400	\$ -	\$ 163,038	\$ 163,038
2025	-	163,400	163,400	-	163,038	163,038
2026	135,000	160,700	295,700	-	163,038	163,038
2027	150,000	155,000	305,000	-	163,038	163,038
2028	165,000	148,700	313,700	-	163,038	163,038
2029 - 2033	1,045,000	629,500	1,674,500	470,000	787,586	1,257,586
2034 - 2038	1,715,000	358,700	2,073,700	1,005,000	625,885	1,630,885
2039 - 2043	875,000	35,500	910,500	1,335,000	392,972	1,727,972
2044 - 2048	-	-	-	1,625,000	135,770	1,760,770
Total	<u>\$ 4,085,000</u>	<u>\$ 1,814,900</u>	<u>\$ 5,899,900</u>	<u>\$ 4,435,000</u>	<u>\$ 2,757,403</u>	<u>\$ 7,192,403</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - DEBT - (Continued)

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.

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, 2023 and June 30, 2022 are as follows:

	2023	2022
Cash and investments	\$ 5,274	\$ 22,207
Actuarial liabilities	n/a	n/a

C. Health and Life Insurance Programs

The District is a member of 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 Medical Benefits Administrators, Inc. as their claims administrator. Interfund rates are charged based on claims approved by the claims administrator.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - RISK MANAGEMENT - (Continued)

A comparison of self-insurance fund cash and investments to the actuary-measured liability as of June 30, 2023 and June 30, 2022 are as follows:

	2023	2022
Cash and investments	\$ 785,528	\$ 609,799
Actuarial liabilities	n/a	n/a

NOTE 11 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

The net pension/OPEB liability (asset) represent the District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

The 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/OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$133,050 for fiscal year 2023.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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 is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$577,113 for fiscal year 2023.

Net Pension Liability

The net pension liability was measured as of June 30, 2022, 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 contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03078570%	0.03439477%	
Proportion of the net pension liability current measurement date	<u>0.02772520%</u>	<u>0.03144307%</u>	
Change in proportionate share	<u>-0.00306050%</u>	<u>-0.00295170%</u>	
Proportionate share of the net pension liability	\$ 1,499,594	\$ 6,989,835	\$ 8,489,429

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). 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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 2,207,331	\$ 1,499,594	\$ 903,336

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate 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	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 10,559,095	\$ 6,989,835	\$ 3,971,345

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$18,916.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$18,916 for fiscal year 2023.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2022, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03176970%	0.03439477%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02841900%</u>	<u>0.03144307%</u>	
Change in proportionate share	<u>-0.00335070%</u>	<u>-0.00295170%</u>	
Proportionate share of the net OPEB liability	\$ 399,006	\$ -	\$ 399,006
Proportionate share of the net OPEB asset	\$ -	\$ (814,166)	\$ (814,166)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 OPEB liability in the latest actuarial valuation date of June 30, 2022 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.69%
Prior measurement date	1.92%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08%
Prior measurement date	2.27%
Medical trend assumption:	
Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 495,571	\$ 399,006	\$ 321,051

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 307,705	\$ 399,006	\$ 518,259

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 752,675	\$ 814,166	\$ 866,838
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 844,488	\$ 814,166	\$ 775,891

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.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional 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 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, 2023 Foundation funding for the 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 District.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14 - SET-ASIDES - (Continued)

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, 2022	\$ -
Current year set-aside requirement	170,578
Current year qualifying disbursements	(11,379)
Current year offsets	<u>(1,029,951)</u>
Total	<u>\$ (870,752)</u>
Balance carried forward to fiscal year 2024	<u>\$ -</u>
Set-aside balance June 30, 2023	<u><u>\$ -</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 \$15,257,981 at June 30, 2023.

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>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 82,752
Permanent improvement fund	495,252
Nonmajor governmental funds	<u>139,201</u>
Total	<u><u>\$ 717,205</u></u>

NOTE 16 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Community Reinvestment Areas

The Hopewell Township provides tax abatements through Community Reinvestment Areas (CRAs). Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. Under these agreements, the District's property taxes were reduced by \$17,549 during fiscal year 2023.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022. 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 2022 are as follows:

- The total net cash position of the District increased \$775,434 or 8.33% from fiscal year 2021 net cash position.
- General cash receipts accounted for \$10,453,634 in cash receipts or 86.52% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$1,628,566 in cash receipts or 13.48% of total cash receipts of \$12,082,200.
- The District had \$11,306,766 in cash disbursements related to governmental activities; \$1,628,566 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 \$10,453,634 were adequate to provide for these programs during fiscal year 2022.
- The District's major governmental funds are the general fund, the permanent improvement fund, and the capital projects fund. The general fund had \$10,325,625 in cash receipts and \$10,084,028 in cash disbursements and other financing uses. During fiscal year 2022, the general fund's fund cash balance increased \$241,597 from \$2,252,665 to \$2,494,262.
- The permanent improvement fund had \$205 in cash receipts and \$3,101 in cash disbursements. During fiscal year 2022, the permanent improvement fund's fund cash balance decreased \$2,896 from \$5,205,095 to \$5,202,199.
- The capital projects fund had \$982,368 in other financing sources. During fiscal year 2022, the capital projects fund's fund cash balance increased \$982,368 from zero to \$982,368. This fund was established during fiscal year 2022 with Rover Pipeline receipts (transferred from the general fund) to be used for future capital projects.

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 provides 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 permanent improvement fund, and the capital projects fund are the only funds reported as major funds.

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 answers the question, "How did the District do financially during fiscal year 2022?" 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, 2022**

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.

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 64-65 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 61. 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 funds are the general fund, the permanent improvement fund, and the capital projects 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. The basic governmental fund financial statements can be found on pages 66-69 of this report.

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. The basic proprietary fund financial statements can be found on pages 71-72 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs that the District does not have administrative involvement in determining the recipient of the scholarship. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in custodial funds. 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 on pages 73-74. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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. These notes to the basic financial statements can be found on pages 75-106 of this report.

Government-wide Financial Analysis

The table below provides a summary of the District's net cash position at June 30, 2022 and June 30, 2021.

	Net Cash Position	
	Governmental Activities 2022	Governmental Activities 2021
	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets	\$ 10,083,323	\$ 9,307,889
<u>Net Cash Position</u>		
Restricted	1,179,163	1,146,630
Unrestricted	<u>8,904,160</u>	<u>8,161,259</u>
Total net cash position	<u>\$ 10,083,323</u>	<u>\$ 9,307,889</u>

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2022, the total net cash position of the District was \$10,083,323. A portion of the District's net cash position, \$1,179,163, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$8,904,160 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for fiscal years 2022 and 2021.

	Change in Net Cash Position	
	Governmental Activities 2022	Governmental Activities 2021
	<u>2022</u>	<u>2021</u>
<u>Cash receipts:</u>		
Program cash receipts:		
Charges for services and sales	\$ 761,049	\$ 1,761,613
Operating grants and contributions	859,767	878,455
Capital grants and contributions	7,750	99,724
General cash receipts:		
Property taxes	5,741,200	6,716,292
Income taxes	564,349	519,994
Unrestricted grants and entitlements	4,111,641	3,319,217
Investment earnings	20,721	14,484
Miscellaneous	<u>15,723</u>	<u>134,406</u>
Total cash receipts	<u>12,082,200</u>	<u>13,444,185</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Change in Net Cash Position (Continued)	
	Governmental Activities 2022	Governmental Activities 2021
	<u>2022</u>	<u>2021</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	\$ 4,405,155	\$ 5,169,396
Special	1,759,990	1,733,648
Vocational	1,567	4,503
Other	317	406
Support services:		
Pupil	554,041	541,030
Instructional staff	199,230	220,753
Board of education	30,927	65,856
Administration	630,950	630,219
Fiscal	457,726	427,262
Operations and maintenance	811,097	742,755
Pupil transportation	363,865	404,952
Central	14,195	62,928
Operation of non-instructional services:		
Food service operations	320,981	283,343
Other non-instructional services	3,527	926
Extracurricular activities	680,960	509,198
Facilities acquisition and construction	5,470	-
Debt service:		
Principal retirement	490,000	473,000
Interest and fiscal charges	576,768	688,799
Total cash disbursements	<u>11,306,766</u>	<u>11,958,974</u>
Change in net cash position	775,434	1,485,211
Net cash position at beginning of year	<u>9,307,889</u>	<u>7,822,678</u>
Net cash position at end of year	<u>\$ 10,083,323</u>	<u>\$ 9,307,889</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$775,434. Total governmental cash disbursements of \$11,306,766 were offset by program cash receipts of \$1,628,566 and general cash receipts of \$10,453,634. Program cash receipts supported 14.40% of the total governmental cash disbursements. The largest cash disbursement category of the District is for instructional programs, which totaled \$6,167,029.

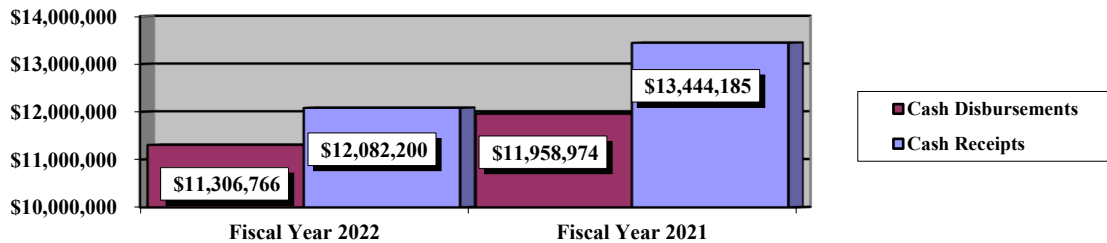
The primary sources of cash receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These cash receipt sources represent 86.22% of total governmental cash receipts. Real estate property is reappraised every six years.

The graph below presents the District's cash receipts and cash disbursements for fiscal years 2022 and 2021.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 2022 and 2021.

Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Cash disbursements:				
Instruction:				
Regular	\$ 4,405,155	\$ 4,278,519	\$ 5,169,396	\$ 3,783,551
Special	1,759,990	1,493,160	1,733,648	1,268,073
Vocational	1,567	1,567	4,503	34
Other	317	317	406	406
Support services:				
Pupil	554,041	381,378	541,030	371,079
Instructional staff	199,230	194,997	220,753	196,494
Board of education	30,927	30,927	65,856	65,856
Administration	630,950	622,193	630,219	627,675
Fiscal	457,726	457,604	427,262	427,262
Operations and maintenance	811,097	803,580	742,755	715,367
Pupil transportation	363,865	343,276	404,952	356,684
Central	14,195	14,195	62,928	29,294
Operation of non-instructional services:				
Food service operations	320,981	(233,202)	283,343	34,107
Other non-instructional services	3,527	3,371	926	297
Extracurricular activities	680,960	214,080	509,198	181,204
Facilities acquisition and construction	5,470	5,470	-	-
Debt service:				
Principal retirement	490,000	490,000	473,000	473,000
Interest and fiscal charges	576,768	576,768	688,799	688,799
Total	<u>\$ 11,306,766</u>	<u>\$ 9,678,200</u>	<u>\$ 11,958,974</u>	<u>\$ 9,219,182</u>

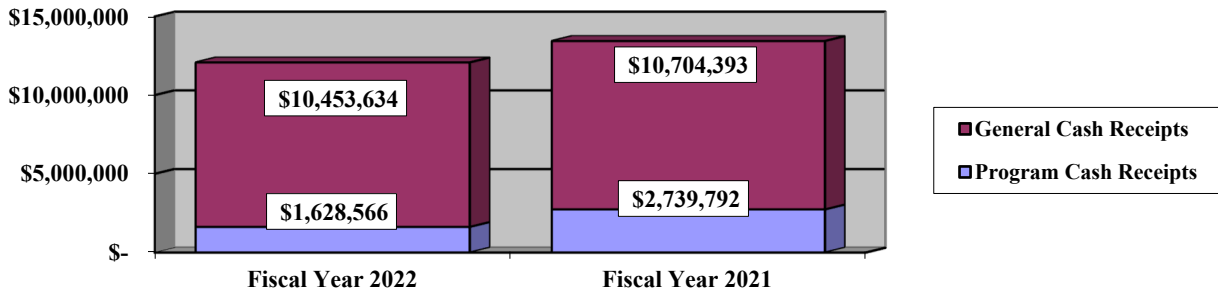
The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 85.60% of cash disbursements are supported through taxes and other general cash receipts.

The graph below presents the District's governmental activities cash receipts for fiscal years 2022 and 2021.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 \$9,451,317, which is more than last year's total fund cash balance of \$8,604,390. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2022 and June 30, 2021.

	Fund Cash Balance <u>June 30, 2022</u>	Fund Cash Balance <u>June 30, 2021</u>	Increase/ (Decrease)	Percentage <u>Change</u>
General	\$ 2,494,262	\$ 2,252,665	\$ 241,597	10.72 %
Permanent improvement	5,202,199	5,205,095	(2,896)	(0.06) %
Capital projects	982,368	-	982,368	100.00 %
Nonmajor governmental	<u>772,488</u>	<u>1,146,630</u>	<u>(374,142)</u>	<u>(32.63) %</u>
Total	<u>\$ 9,451,317</u>	<u>\$ 8,604,390</u>	<u>\$ 846,927</u>	<u>9.84 %</u>

General Fund

The District's general fund cash balance increased \$241,597.

The table that follows assists in illustrating the cash receipts of the general fund for fiscal years 2022 and 2021.

	<u>2022</u> <u>Amount</u>	<u>2021</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Cash Receipts:			
Taxes	\$ 5,631,191	\$ 6,479,547	(13.09) %
Tuition and fees	241,641	1,460,626	(83.46) %
Earnings on investments	17,813	8,362	113.02 %
Intergovernmental	4,377,414	3,575,119	22.44 %
Other receipts	<u>57,566</u>	<u>204,544</u>	<u>(71.86) %</u>
Total	<u>\$ 10,325,625</u>	<u>\$ 11,728,198</u>	<u>(11.96) %</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Overall cash receipts of the general fund decreased \$1,402,573 or 11.96%. The decrease in taxes was primarily due to the Rover Pipeline filing an appeal with Board of Tax Appeals and has not been settled as of the date of this report. Intergovernmental revenue increased and tuition and fees decreased during fiscal year 2022. These fluctuations were primarily due to the change in foundation funding during the current fiscal year. Open enrollment receipts that in prior years would have been coded to tuition receipts are now included in the base cost which is coded to intergovernmental receipts. Earnings on investments increased during fiscal year 2022 due to an increase in interest rates. All other receipts during fiscal year 2022 remained comparable to 2021.

The table that follows assists in illustrating the cash disbursements of the general fund for fiscal years 2022 and 2021.

	2022 <u>Amount</u>	2021 <u>Amount</u>	Percentage <u>Change</u>
<u>Cash Disbursements:</u>			
Instruction	\$ 5,800,600	\$ 6,693,340	(13.34) %
Support services	2,760,737	2,614,528	5.59 %
Extracurricular activities	286,299	280,446	2.09 %
Facilities acquisition and construction	3,975	-	100.00 %
Total	<u>\$ 8,851,611</u>	<u>\$ 9,588,314</u>	(7.68) %

Overall, there was a decrease in cash disbursements of \$736,703 or 7.68% All disbursements remained comparable to 2021.

Permanent Improvement Fund

The permanent improvement fund had \$205 in cash receipts and \$3,101 in cash disbursements. During fiscal year 2022, the permanent improvement fund's fund cash balance decreased \$2,896 from \$5,205,095 to \$5,202,199.

Capital Projects Fund

The capital projects fund had \$982,368 in other financing sources. During fiscal year 2022, the capital projects fund's fund cash balance increased \$982,368 from zero to \$982,368. This fund was established during fiscal year 2022 with Rover Pipeline receipts (transferred from the general fund) to be used for future capital projects.

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, original and final budgetary basis receipts were \$11,628,745. Actual budgetary basis receipts of \$10,280,651 were \$1,348,094 less than the final budget estimates.

The original and final budgetary basis disbursements and other financing uses were \$13,136,830 and \$11,136,830, respectively. The actual budgetary basis disbursements and other financing uses of \$10,175,739 were \$961,091 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Debt Administration

At June 30, 2022, the District had \$11,589,000 in bonds outstanding. Of this total, \$510,000 is due within one year and \$11,079,000 is due in more than one year. The following table summarizes the general obligation bonds outstanding at June 30, 2022 and June 30, 2021.

	<u>Governmental Activities 2022</u>	<u>Governmental Activities 2021</u>
General obligation bonds	<u>\$ 11,589,000</u>	<u>\$ 12,079,000</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 November 6, 2018. 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 the District some financial stability that will help offset funding concerns associated with the District's enrollment figures.

During fiscal year 2017, the District advance refunded \$8,890,000 of the Series 2010 bonds issued for school construction. The refunding was undertaken to reduce the combined total future debt service payments by \$1,086,739 resulting in a net present value savings of \$718,317.

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 Mr. Jeff Dornbusch Treasurer, Hopewell-Loudon Local School District, 181 North County Road #7, Bascom, Ohio 44809-0400.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2022

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 9,473,524
Cash with fiscal agent	609,799
Total assets	10,083,323
 Net cash position:	
Restricted for:	
Classroom facilities maintenance	495,753
Debt service	154,990
Locally funded programs	3,092
Federally funded programs	299
Food service operations	235,712
Student activities	269,332
Scholarships	19,985
Unrestricted	8,904,160
Total net cash position	\$ 10,083,323

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, 2022

	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	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,405,155	\$ 118,643	\$ 7,993	\$ -	\$ (4,278,519)
Special	1,759,990	111,223	155,607	-	(1,493,160)
Vocational	1,567	-	-	-	(1,567)
Other	317	-	-	-	(317)
Support services:					
Pupil	554,041	-	172,663	-	(381,378)
Instructional staff	199,230	-	4,233	-	(194,997)
Board of education	30,927	-	-	-	(30,927)
Administration	630,950	8,556	201	-	(622,193)
Fiscal	457,726	-	122	-	(457,604)
Operations and maintenance	811,097	150	7,367	-	(803,580)
Pupil transportation	363,865	16,343	4,246	-	(343,276)
Central	14,195	-	-	-	(14,195)
Operation of non-instructional services:					
Food service operations	320,981	56,587	497,596	-	233,202
Other non-instructional services	3,527	-	156	-	(3,371)
Extracurricular activities	680,960	449,547	9,583	7,750	(214,080)
Facilities acquisition and construction	5,470	-	-	-	(5,470)
Debt service:					
Principal retirement	490,000	-	-	-	(490,000)
Interest and fiscal charges	576,768	-	-	-	(576,768)
Total governmental activities	\$ 11,306,766	\$ 761,049	\$ 859,767	\$ 7,750	(9,678,200)

General cash receipts:

Property taxes levied for:	
General purposes	5,066,842
Debt service	674,358
Income taxes levied for:	
General purposes	564,349
Grants and entitlements not restricted to specific programs	4,111,641
Investment earnings	20,721
Miscellaneous	15,723
Total general cash receipts	10,453,634
 Change in net position	 775,434
 Net cash position at beginning of year	 9,307,889
 Net cash position at end of year	 \$ 10,083,323

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, 2022

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 2,494,262	\$ 5,202,199	\$ 982,368	\$ 772,488	\$ 9,451,317
Fund cash balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 154,990	\$ 154,990
Classroom facilities maintenance	-	-	-	495,753	495,753
Food service operations	-	-	-	235,712	235,712
Federally funded programs	-	-	-	299	299
Extracurricular activities	-	-	-	269,332	269,332
Scholarships	-	-	-	19,985	19,985
Other purposes	-	-	-	3,092	3,092
Committed:					
Capital improvements	-	-	982,368	-	982,368
Termination benefits	207,106	-	-	-	207,106
Assigned:					
Student instruction	74,373	-	-	-	74,373
Student and staff support	147,339	-	-	-	147,339
Facilities acquisition and construction	3,755	-	-	-	3,755
Capital improvements	-	5,202,199	-	-	5,202,199
Other purposes	1,873	-	-	-	1,873
Unassigned (deficit)	2,059,816	-	-	(406,675)	1,653,141
Total fund cash balances	<u>\$ 2,494,262</u>	<u>\$ 5,202,199</u>	<u>\$ 982,368</u>	<u>\$ 772,488</u>	<u>\$ 9,451,317</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, 2022

Total governmental fund cash balances	\$ 9,451,317
<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>632,006</u>
Net position - cash basis of governmental activities	<u>\$ 10,083,323</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, 2022

	General	Permanent Improvement	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:					
Property taxes	\$ 5,066,842	\$ -	\$ -	\$ 674,358	\$ 5,741,200
Income taxes	564,349	-	-	-	564,349
Intergovernmental	4,377,414	-	-	581,646	4,959,060
Investment earnings	17,813	-	-	-	17,813
Tuition and fees	241,641	-	-	-	241,641
Extracurricular	32,315	-	-	430,590	462,905
Rental income	150	-	-	-	150
Charges for services	-	-	-	56,353	56,353
Contributions and donations	9,583	-	-	7,750	17,333
Miscellaneous	15,518	205	-	2,765	18,488
Total cash receipts	<u>10,325,625</u>	<u>205</u>	<u>-</u>	<u>1,753,462</u>	<u>12,079,292</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	4,259,196	-	-	101,328	4,360,524
Special	1,539,523	-	-	210,009	1,749,532
Vocational	1,567	-	-	-	1,567
Other	314	-	-	-	314
Support services:					
Pupil	469,783	-	-	80,196	549,979
Instructional staff	180,613	-	-	17,360	197,973
Board of education	30,927	-	-	-	30,927
Administration	613,966	-	-	11,172	625,138
Fiscal	437,115	-	-	16,755	453,870
Operations and maintenance	671,056	1,606	-	136,279	808,941
Pupil transportation	343,082	-	-	19,883	362,965
Central	14,195	-	-	-	14,195
Operation of non-instructional services:					
Food service operations	-	-	-	319,716	319,716
Other non-instructional services	-	-	-	3,527	3,527
Extracurricular activities	286,299	-	-	394,660	680,959
Facilities acquisition and construction	3,975	1,495	-	-	5,470
Debt service:					
Principal retirement	-	-	-	490,000	490,000
Interest and fiscal charges	-	-	-	576,768	576,768
Total cash disbursements	<u>8,851,611</u>	<u>3,101</u>	<u>-</u>	<u>2,377,653</u>	<u>11,232,365</u>
Excess of cash receipts over (under) cash disbursements	<u>1,474,014</u>	<u>(2,896)</u>	<u>-</u>	<u>(624,191)</u>	<u>846,927</u>
Other financing sources (uses):					
Transfers in	-	-	982,368	250,049	1,232,417
Transfers (out)	(1,232,417)	-	-	-	(1,232,417)
Total other financing sources (uses)	<u>(1,232,417)</u>	<u>-</u>	<u>982,368</u>	<u>250,049</u>	<u>-</u>
Net change in fund cash balances	241,597	(2,896)	982,368	(374,142)	846,927
Fund cash balances at beginning of year	<u>2,252,665</u>	<u>5,205,095</u>	<u>-</u>	<u>1,146,630</u>	<u>8,604,390</u>
Fund cash balances at end of year	<u>\$ 2,494,262</u>	<u>\$ 5,202,199</u>	<u>\$ 982,368</u>	<u>\$ 772,488</u>	<u>\$ 9,451,317</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, 2022

Net change in fund balances - cash basis - total governmental funds \$ 846,927

*Amounts reported for governmental activities in the
statement of activities - cash basis are different because:*

An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the district-wide statement of activities - cash basis. Governmental fund cash disbursements are 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.

(71,493)

Change in net cash position of governmental activities

\$ 775,434

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, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Property taxes	\$ 5,731,251	\$ 5,731,251	\$ 5,066,842	\$ (664,409)
Income taxes	638,352	638,352	564,349	(74,003)
Intergovernmental	4,951,421	4,951,421	4,377,414	(574,007)
Investment earnings	20,149	20,149	17,813	(2,336)
Tuition and fees	270,524	270,524	239,162	(31,362)
Rental income	170	170	150	(20)
Miscellaneous	16,878	16,878	14,921	(1,957)
Total budgetary basis receipts	<u>11,628,745</u>	<u>11,628,745</u>	<u>10,280,651</u>	<u>(1,348,094)</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	4,160,226	7,523,827	4,251,287	3,272,540
Special	1,172,028	510,782	1,582,692	(1,071,910)
Vocational	5,807	2,320	6,567	(4,247)
Other	340	126	314	(188)
Support services:				
Pupil	211,970	113,031	451,891	(338,860)
Instructional staff	143,967	62,192	181,547	(119,355)
Board of education	61,504	21,961	49,810	(27,849)
Administration	487,265	206,497	617,874	(411,377)
Fiscal	312,075	136,384	441,502	(305,118)
Operations and maintenance	568,118	236,119	711,748	(475,629)
Pupil transportation	277,471	684,596	344,032	340,564
Central	18,544	7,482	21,531	(14,049)
Extracurricular activities	190,006	82,199	244,797	(162,598)
Facilities acquisition and construction	-	551	7,730	(7,179)
Total budgetary basis disbursements	<u>7,609,321</u>	<u>9,588,067</u>	<u>8,913,322</u>	<u>674,745</u>
Excess of cash receipts over cash disbursements	<u>4,019,424</u>	<u>2,040,678</u>	<u>1,367,329</u>	<u>(673,349)</u>
Other financing (uses):				
Transfers (out)	<u>(5,527,509)</u>	<u>(1,548,763)</u>	<u>(1,262,417)</u>	<u>286,346</u>
Total other financing (uses)	<u>(5,527,509)</u>	<u>(1,548,763)</u>	<u>(1,262,417)</u>	<u>286,346</u>
Net change in fund cash balance	(1,508,085)	491,915	104,912	(387,003)
Unencumbered fund balance at beginning of year	1,818,074	1,818,074	1,818,074	-
Prior year encumbrances appropriated	136,830	136,830	136,830	-
Unencumbered fund balance at end of year	<u>\$ 446,819</u>	<u>\$ 2,446,819</u>	<u>\$ 2,059,816</u>	<u>\$ (387,003)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2022

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and investments	\$ 22,207
Cash with fiscal agent	609,799
Total assets	<u>632,006</u>
Net cash position:	
Unrestricted	<u>632,006</u>
Total net cash position	<u>\$ 632,006</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 NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Governmental Activities - Internal Service Fund
Operating cash receipts:	
Charges for services	\$ 1,646,555
Operating cash disbursements:	
Purchased services	337,263
Claims	1,383,693
Total operating cash disbursements	1,720,956
Operating (loss)	(74,401)
Nonoperating cash receipts:	
Interest receipts	2,908
Change in net cash position	(71,493)
Net cash position at beginning of year	703,499
Net cash position at end of year	\$ 632,006

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, 2022

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 20,426
Net cash position:	
Held for individuals	<u>20,426</u>
Total net cash position	<u>\$ 20,426</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 FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Custodial</u>
Additions:	
Contributions and donations	\$ 1,885
Amounts collected for individuals	<u>62,011</u>
Total additions	<u>63,896</u>
Deductions:	
Distributions to individuals	65,376
Scholarships awarded	<u>9,300</u>
Total deductions	<u>74,676</u>
Change in net position	(10,780)
Net cash position at beginning of year	<u>31,206</u>
Net cash position at end of year	<u><u>\$ 20,426</u></u>

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, 2022**

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 31 non-certified employees, 50 certified employees, and 5 administrators who provide services to 752 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 Matt Bauer, 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, 2022**

NOTE 1 - THE REPORTING ENTITY - (Continued)

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.

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 yet collected) and certain 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 this financial statement.

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, 2022**

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.

Permanent Improvement fund - The permanent improvement fund is used to account for the acquisition, construction, or improvement of capital facilities.

Capital Projects fund - The capital projects fund is used to accumulate money for one or more capital projects.

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

PROPRIETARY FUNDS

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 custodial 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. The District's custodial funds account for funds collected and distributed on behalf of other school districts, funds held for individuals within the District, and contributions and donations collected and distributed for scholarships. The District has no administrative involvement in determining the recipient of the scholarships. The District does not have pension trust funds, private-purpose trust funds or investment trust funds.

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, 2022**

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 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 custodial 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 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 2022, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. In accordance with the cash basis of accounting, all District investments are reported at cost, except for STAR Ohio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2022 amounted to \$17,813, which includes \$13,119 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/Other Postemployment Benefits (OPEB)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

J. Employer Contributions to Cost-Sharing Pension Plans

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. Leases

The District is the lessee in a lease related to equipment under a noncancelable lease. Lease payables are not reflected under the District's cash basis of accounting. Lease disbursements are recognized when they are paid.

L. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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.

N. 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.

O. 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.

P. 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.

Q. 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 2022.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Since the District does not prepare financial statements using generally accepted accounting principles, the implementation of GASB Statement No. 87 did not have an effect on the financial statements of the District. The notes to the basic financial statements include the disclosure requirements under the Statement.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 basic 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 basic 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.

C. Deficit Fund Balances

Fund balances at June 30, 2022 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Elementary and secondary school emergency	\$ 157,477
IDEA, part B	187,566
Title I	35,789
Student support and academic enrichment programs	10,000
IDEA preschool grant for the handicapped	2,637
Supporting effective instruction	13,206

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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	\$ 104,912
Funds budgeted elsewhere	(34,401)
Adjustment for encumbrances	<u>171,086</u>
Cash basis	<u><u>\$ 241,597</u></u>

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, trust staff 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, 2022**

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 fair 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), the State Treasury Asset Reserve of Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 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, 2022 was \$609,799.

B. Deposits with Financial Institutions

At June 30, 2022, the carrying amount of all School District deposits was \$3,339,807. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2022, \$2,961,643 of the School District's bank balance of \$3,456,080 was collateralized by pledged collateral held by a financial institution in the District's name as discussed below, while \$494,437 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2022, the School District's financial institutions had a collateral rate of 102% through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2022, the District had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Maturity 6 months or less</u>
STAR Ohio	<u>\$ 6,154,143</u>	<u>\$ 6,154,143</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 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, 2022:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 6,154,143</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, 2022:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 3,339,807
Cash with fiscal agent	609,799
Investments	<u>6,154,143</u>
Total	<u>\$ 10,103,749</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,083,323
Custodial funds	<u>20,426</u>
Total	<u>\$ 10,103,749</u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2022 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
Capital projects fund	\$ 982,368
Nonmajor governmental funds	<u>250,049</u>
	<u>\$ 1,232,417</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - INTERFUND TRANSACTIONS - (Continued)

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.

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 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 receipts received in calendar year 2022 represent the collection of calendar year 2021 taxes. Public utility real and personal property taxes received in calendar year 2022 became a lien on December 31, 2020, were levied after April 1, 2021, 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, 2022, are available to finance fiscal year 2022 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 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 127,633,830	47.33	\$ 128,756,590	48.01
Public utility personal	<u>142,059,960</u>	<u>52.67</u>	<u>139,429,140</u>	<u>51.99</u>
Total	<u>\$ 269,693,790</u>	<u>100.00</u>	<u>\$ 268,185,730</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.99		\$40.78	

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 2022 equaled \$564,349.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEBT

A. During fiscal year 2022, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/21</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/22</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Series 2010 OSFC Bonds	\$ 455,000	\$ -	\$ (95,000)	\$ 360,000	\$ 110,000
Series 2010 Qualified School Construction Bonds	3,104,000	-	(395,000)	2,709,000	400,000
Series 2016 Refunding OSFC Bonds	4,085,000	-	-	4,085,000	-
Series 2016 Refunding Qualified School Construction Bonds	<u>4,435,000</u>	<u>-</u>	<u>-</u>	<u>4,435,000</u>	<u>-</u>
Total Long-Term Obligations, Governmental Activities	<u>\$ 12,079,000</u>	<u>\$ -</u>	<u>\$ (490,000)</u>	<u>\$ 11,589,000</u>	<u>\$ 510,000</u>

Series 2010 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. During fiscal year 2022, the District made a principal payment of \$95,000.

Series 2010 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. During fiscal year 2022, the District made a principal payment of \$395,000.

Series 2016 Refunding Ohio School Facilities Construction Bonds – Build America Bonds (BAB): On October 12, 2016, the District issued \$4,085,000 in Series 2016 BAB Refunding Bonds for the refunding of the Series 2010B Build America Bonds. The refunding bonds were issued at a premium of \$457,282.

The District incurred \$156,342 in issuance costs and made a payment to the refunded bond escrow agent in the amount of \$4,385,940. The Series 2010B Build America Bonds are considered in-substance defeased as a result of the refunding. The refunding was undertaken to reduce the combined total future debt service payments by \$478,647 resulting in a net present value savings of \$334,851. These Series 2016 BAB Refunding Bonds have a final maturity of November 1, 2039 and bears an interest rate of 4.00%. Interest payments on the 2016 BAB Refunding Bonds are due May 1 and November 1 of each year. Payments of principal and interest are recorded as cash disbursements of the bond retirement fund, a nonmajor governmental fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEBT - (Continued)

Series 2016 Refunding Qualified School Construction Bonds (QSCB): On October 12, 2016, the District issued \$4,435,000 in Series 2016 QSCB Refunding Bonds for the refunding of the Series 2010B and 2010C School Facilities Construction and Improvement Bonds. The refunding bonds were issued at a premium of \$241,603. The District incurred \$109,649 in issuance costs and made a payment to the refunded bond escrow agent in the amount of \$4,566,954. The Series 2010B and 2010C School Facilities Construction and Improvement Bonds are considered in-substance defeased as a result of the refunding. The refunding was undertaken to reduce the combined total future debt service payments by \$599,092 resulting in a net present value savings of \$383,466. The Series 2016 QSCB Refunding Bonds have a final maturity of November 1, 2047 and bear interest rates ranging between 3.250 - 4.00%. Interest payments on the Series 2016 QSCB Refunding Bonds are due May 1 and November 1 of each year. Payments of principal and interest are recorded as cash disbursements of the bond retirement fund, a nonmajor governmental fund.

Principal and interest requirements to retire the long-term obligations at June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Series 2010 OSFC Bonds			Series 2010 QSCB		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 110,000	\$ 13,500	\$ 123,500	\$ 400,000	\$ 140,344	\$ 540,344
2024	120,000	9,375	129,375	405,000	118,493	523,493
2025	130,000	4,875	134,875	430,000	96,367	526,367
2026	-	-	-	438,000	72,876	510,876
2027	-	-	-	441,000	48,949	489,949
2028 - 2030	-	-	-	595,000	814,857	1,409,857
Total	<u>\$ 360,000</u>	<u>\$ 27,750</u>	<u>\$ 387,750</u>	<u>\$ 2,709,000</u>	<u>\$ 1,291,886</u>	<u>\$ 4,000,886</u>

Fiscal Year Ending June 30,	Series 2016 Refunding OSFC Bonds			Series 2016 Refunding QSCB		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ -	\$ 163,400	\$ 163,400	\$ -	\$ 163,038	\$ 163,038
2024	-	163,400	163,400	-	163,038	163,038
2025	-	163,400	163,400	-	163,038	163,038
2026	135,000	160,700	295,700	-	163,038	163,038
2027	150,000	155,000	305,000	-	163,038	163,038
2028 - 2032	965,000	669,700	1,634,700	305,000	803,087	1,108,087
2033 - 2037	1,565,000	424,300	1,989,300	940,000	664,785	1,604,785
2038 - 2042	1,270,000	78,400	1,348,400	1,275,000	444,085	1,719,085
2043 - 2047	-	-	-	1,565,000	187,606	1,752,606
2048	-	-	-	350,000	5,688	355,688
Total	<u>\$ 4,085,000</u>	<u>\$ 1,978,300</u>	<u>\$ 6,063,300</u>	<u>\$ 4,435,000</u>	<u>\$ 2,920,441</u>	<u>\$ 7,355,441</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, 2022

NOTE 9 - DEBT - (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, 2022 and June 30, 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 22,207	\$ 35,375
Actuarial liabilities	n/a	n/a

C. Health and Life Insurance Programs

The District is a member of 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 Medical Benefits Administrators, Inc. 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, 2022 and June 30, 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 609,799	\$ 668,124
Actuarial liabilities	n/a	n/a

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represent the District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

The 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/OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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 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, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy – Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$138,262 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$586,231 for fiscal year 2022.

Net Pension Liability

The net pension liability was measured as of June 30, 2021, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03049210%	0.03417668%	
Proportion of the net pension liability current measurement date	<u>0.03078570%</u>	<u>0.03439477%</u>	
Change in proportionate share	<u>0.00029360%</u>	<u>0.00021809%</u>	
Proportionate share of the net pension liability	\$ 1,135,903	\$ 4,397,680	\$ 5,533,583

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.50%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.50% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.50%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). 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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 1,889,864	\$ 1,135,903	\$ 500,055

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.45%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 8,235,209	\$ 4,397,680	\$ 1,154,976

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$20,528.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$20,528 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03177170%	0.03417668%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03176970%</u>	<u>0.03439477%</u>	
Change in proportionate share	<u>-0.00000200%</u>	<u>0.00021809%</u>	
Proportionate share of the net OPEB liability	\$ 601,268	\$ -	\$ 601,268
Proportionate share of the net OPEB asset	\$ -	\$ (725,186)	\$ (725,186)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2021 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	1.92%
Prior measurement date	2.45%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	2.27%
Prior measurement date	2.63%
Medical trend assumption:	
Current measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 745,043	\$ 601,268	\$ 486,409
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 462,927	\$ 601,268	\$ 786,048

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	June 30, 2021		June 30, 2020	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.00%	4.00%
Medicare	-16.18%	4.00%	-6.69%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	6.50%	4.00%
Medicare	29.98%	4.00%	11.87%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 611,944	\$ 725,186	\$ 819,781

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 815,948	\$ 725,186	\$ 612,949

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, 2022

NOTE 13 - CONTINGENCIES - (Continued)

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.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional 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 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, 2022 Foundation funding for the 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 District.

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, 2021	\$ -
Current year set-aside requirement	145,318
Current year qualifying disbursements	(22,885)
Current year offsets	<u>(982,368)</u>
Total	<u>\$ (859,935)</u>
Balance carried forward to fiscal year 2023	<u>\$ -</u>
Set-aside balance June 30, 2022	<u><u>\$ -</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 \$15,257,981 at June 30, 2022.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 171,460
Permanent improvement fund	2,505
Nonmajor governmental funds	<u>47,962</u>
Total	<u>\$ 221,927</u>

NOTE 16 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



**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, PO Box 400
Bascom, Ohio 44809-0400

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by 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 the Hopewell-Loudon Local School District, Seneca County, (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2024, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2023-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
February 26, 2024

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

**Schedule of Findings
June 30, 2023 and 2022**

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

FINDING NUMBER 2023-001

Material 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 Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The School District can be fined, and various other administrative remedies may be taken against the School District.

The School District should take the necessary steps to ensure that the financial report is prepared 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 School District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2023 and 2022 and made the decision that the significant dollars saved, outweighed the benefit received.

FINDING NUMBER 2023-002

Material Weakness – Financial Statement Misstatements

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to improper posting and reporting procedures, the financial statements contained the following error, which was material and resulted in adjustments to the accompanying financial statements.

- The District failed to post intergovernmental receipts and interest disbursements for interest forgiven in the amount of \$148,207 in the Debt Service Fund during fiscal year 2022. An adjustment was posted to increase intergovernmental receipts and interest disbursements by \$148,207.

FINDING NUMBER 2023-002
(Continued)

Failure to properly post financial activity to the accounting system could result in inaccurate financial statements. Policies and procedures should be developed and implemented to verify that all receipts and disbursements are posted in correct accounts.

Officials' Response: We corrected this issue for Fiscal Year 2023 and going forward.

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

**Schedule of Prior Audit Findings
June 30, 2023 and 2022**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	Not Corrected. Reissued as finding 2023-001	
2022-002	Material Weakness – Financial Statement Misstatements	Not Corrected. Reissued as finding 2023-002	Finding was repeated in 2022 but corrected for 2023.

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OHIO AUDITOR OF STATE KEITH FABER



HOPEWELL LOUDON LOCAL SCHOOL DISTRICT

SENECA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/11/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov