

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hopewell-Loudon Local School District, Seneca County, prepared by LublinSussman Group LLP, for the audit period July 1, 2010 through June 30, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 27, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Hopewell-Loudon Local School District, Seneca County (the District) as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the year ended June 30, 2011, in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit for the purpose of forming an opinion on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For reasons stated in the third paragraph, the basic financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Delvin Sussman Group LLP

January 13, 2012
Toledo, Ohio

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS, INVESTMENTS,
 AND FUND CASH BALANCES - ALL FUND TYPES
 AS OF JUNE 30, 2011

Cash and Cash Equivalents	\$ 7,998,334
Investments	<u>16,045,082</u>
Total	\$ <u>24,043,416</u>
 Governmental Fund Types:	
General Fund	\$ 3,829,071
Special Revenue Fund	274,577
Debt Service Fund	209,898
Capital Projects Funds	19,056,199
 Proprietary Fund Types:	
Enterprise Funds	131,421
Internal Service Fund	447,204
 Fiduciary Funds Types:	
Agency Funds	59,021
Private Purpose Trust Funds	<u>36,025</u>
Total	\$ <u>24,043,416</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Fund Types</u>				<u>Totals (Memo. Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Sources:					
Taxes	\$2,329,687	\$ 0	\$ 280,536	\$ 0	\$ 2,610,223
Tuition	1,724,657	0	0	0	1,724,657
Earnings on Investment	36,087	0	0	122,151	158,238
Miscellaneous Receipts	98,501	19,587	0	0	118,088
Extracurricular Activities	0	213,592	0	0	213,592
Classroom Materials and Fees	50,308	0	0	0	50,308
Intergovernmental - State	2,709,230	9,550	35,867	3,313,583	6,068,230
Intergovernmental - Federal	<u>0</u>	<u>642,198</u>	<u>222,463</u>	<u>0</u>	<u>864,661</u>
Total Cash Receipts	6,948,470	884,927	538,866	3,435,734	11,807,997
Cash Disbursements:					
Instruction:					
Regular	3,538,380	224,168	0	11,220	3,773,768
Special	506,540	295,241	0	0	801,781
Vocational Education	88,165	0	0	0	88,165
Adult/Continuing	0	243	0	0	243
Other	1,849	0	0	0	1,849
Support Services:					
Pupils	276,694	80,563	0	0	357,257
Instructional Staff	211,365	4,627	0	0	215,992
Board of Education	16,188	0	0	0	16,188
Administration	604,398	19,580	0	4,237	628,215
Fiscal Services	256,113	0	6,701	1,000	263,814
Operation and Maintenance of Plant	414,369	88,937	0	89,818	593,124
Pupil Transportation	278,239	12,411	0	0	290,650
Central	1,603	0	0	0	1,603
Food Service Operations	0	0	0	0	0

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011 (CONTINUED)

	Governmental Fund Types				Totals (Memo. Only)
	General	Special Revenue	Debt Service	Capital Projects	
Purchased Services	0	0	0	682,226	682,226
Community Service	0	1,740	0	0	1,740
Extracurricular Activities	199,010	210,024	0	0	409,034
Principal Payments	5,356	0	0	0	5,356
Interest and Fiscal Charges	0	0	521,181	0	521,181
Capital Outlay	0	0	0	634,642	634,642
Total Cash Disbursements	<u>6,398,269</u>	<u>937,534</u>	<u>527,882</u>	<u>1,423,143</u>	<u>9,286,828</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	550,201	(52,607)	10,984	2,012,591	2,521,169
Other Financing Sources (Uses):					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	198,914	16,136,086	16,335,000
Other Debt Proceeds	0	0	0	293,826	293,826
Transfers - In	0	125,004	0	14,164,384	14,289,388
Advances - In	0	9,200	0	0	9,200
Transfers - Out	(305,004)	0	0	(13,984,384)	14,289,388)
Advances - Out	(9,200)	0	0	0	(9,200)
Total Other Financing Sources (Uses)	<u>(314,204)</u>	<u>134,204</u>	<u>198,914</u>	<u>16,609,912</u>	<u>16,628,826</u>
Excess of Cash Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	235,997	81,597	209,898	18,622,503	19,149,995
Fund Cash Balances, July 1, 2010	<u>3,593,074</u>	<u>192,980</u>	<u>0</u>	<u>433,696</u>	<u>4,219,750</u>
Fund Cash Balances, June 30, 2011	<u>\$ 3,829,071</u>	<u>\$ 274,577</u>	<u>\$ 209,898</u>	<u>\$ 19,056,199</u>	<u>\$23,369,745</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>		<u>Totals (Memo. Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Receipts:					
Extracurricular Activities	\$ 0	\$ 0	\$ 109,831	\$ 230	\$ 110,061
Food Services	223,291	0	0	0	223,291
Classroom Materials and Fees	<u>7,822</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,822</u>
Total Operating Cash Receipts	231,113	0	109,831	230	341,174
Operating Expenses:					
Employees Salaries and Wages	99,553	0	0	0	99,553
Employee Retirement and Insurance	32,047	10,885	0	0	42,932
Purchased Services	9,093	701,599	353	0	711,045
Supplies and Materials	174,851	0	94,397	0	269,248
Extracurricular Activities	0	0	0	4,432	4,432
Other Objects	<u>1,009</u>	<u>0</u>	<u>6,925</u>	<u>0</u>	<u>7,934</u>
Total Operating Cash Disbursements	<u>316,553</u>	<u>712,484</u>	<u>101,675</u>	<u>4,432</u>	<u>1,135,144</u>
Operating Income (Loss)	(85,440)	(712,484)	8,156	(4,202)	(793,970)
Nonoperating Receipts and Disbursements:					
Earnings on Investment	790	9,722	0	296	10,808
State Sources	2,466	0	0	0	2,466
Federal Sources	132,267	0	0	0	132,267
Capital Outlay	(844)	0	0	0	(844)
Miscellaneous	<u>2,860</u>	<u>630,889</u>	<u>1,284</u>	<u>7,917</u>	<u>642,950</u>
Total Nonoperating Cash Receipts	<u>137,539</u>	<u>640,611</u>	<u>1,284</u>	<u>8,213</u>	<u>787,647</u>
Net Cash Receipts Over (Under)					
Cash Disbursements	52,099	(71,873)	9,440	4,011	(6,323)
Fund Cash Balances at July 1, 2010	<u>79,322</u>	<u>519,077</u>	<u>49,581</u>	<u>32,014</u>	<u>679,994</u>
Fund Cash Balances at June 30, 2011	<u>\$ 131,421</u>	<u>\$ 447,204</u>	<u>\$ 59,021</u>	<u>\$ 36,025</u>	<u>\$ 673,671</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL COMPARISON
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance: Favorable <u>(Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$ 6,928,000	\$ 6,948,470	\$ 20,470
Special Revenue Funds	1,015,000	1,009,931	(5,069)
Debt Service Fund	316,402	737,780	421,378
Capital Projects Funds	34,194,000	34,030,030	(163,970)
Proprietary Fund Types:			
Enterprise Funds	368,000	369,496	1,496
Internal Service Funds	640,000	640,611	611
Fiduciary Fund Types:			
Trust and Agency Funds	<u>119,800</u>	<u>119,558</u>	<u>(242)</u>
Total	<u>\$43,581,202</u>	<u>\$43,855,876</u>	<u>\$ 274,674</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011

	Prior Year Carryover <u>Appropriations</u>	2011 <u>Appropriations</u>	<u>Total</u>	Actual 2011 <u>Disbursements</u>	Encumbrances Outstanding at <u>6/30/11</u>	<u>Total</u>	Variance: Favorable (<u>Unfavorable</u>)
Governmental Fund Types:							
General Fund	\$ 1,195	\$ 7,463,000	\$ 7,464,195	\$ 6,703,273	\$ 15,481	\$ 6,718,754	\$ 745,441
Special Revenue Funds	11,665	964,219	975,884	937,534	10,724	948,258	27,626
Debt Service Fund	0	190,000	190,000	527,882	0	527,882	(337,882)
Capital Projects Funds	6,500	17,750,000	17,756,500	15,407,527	1,750,575	17,158,102	598,398
Proprietary Fund Types:							
Enterprise Funds	0	340,000	340,000	317,397	0	317,397	22,603
Internal Service Funds	0	749,500	749,500	712,484	0	712,484	37,016
Fiduciary Fund Types:							
Trust and Agency Funds	<u>13,330</u>	<u>113,790</u>	<u>127,120</u>	<u>106,107</u>	<u>2,150</u>	<u>108,257</u>	<u>18,863</u>
Total	\$ <u>32,690</u>	\$ <u>27,570,509</u>	\$ <u>27,603,199</u>	\$ <u>24,712,204</u>	\$ <u>1,778,930</u>	\$ <u>26,491,134</u>	\$ <u>1,112,065</u>

See Notes to Financial Statements

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

DESCRIPTION OF THE ENTITY

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

FUND ACCOUNTING

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES

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

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

A. Budget

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

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

B. Tax Budget

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

C. Estimated Resources

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Estimated Resources (Continued)

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year 2011 and do not include the unencumbered fund balances as of July 1, 2010. However, those fund balances are available for appropriations.

D. Appropriations

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

E. Encumbrances

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

F. Lapsing of Appropriations

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

PROPERTY, PLANT, AND EQUIPMENT

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

UNPAID VACATION AND SICK LEAVE

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

CASH AND INVESTMENTS

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

During fiscal year 2011, the the School District invested in non-negotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011. Investment earnings are allocated as authorized by State Statute and Board resolution.

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

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

(2) DEPOSITS AND INVESTMENTS

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

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(2) 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 held by the District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year ended June 30, 2011, \$2,642,055 of the School District's bank balance of \$2,892,055 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

INVESTMENTS

As of June 30, 2011, the District had the following investments:

		<u>Maturity</u>
STAR Ohio	\$ 3,446,392	Twelve Months or Less
Certificates of Deposit	1,204,232	Twelve Months or Less
Certificates of Deposit	5,798,000	Twelve Months or More
U.S. Treasury Notes	<u>10,247,082</u>	Twelve Months or More
Total Investments	<u>\$ 20,695,706</u>	

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

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

The following is a reconciliation of investments as reported above to cash and cash equivalents and investments as reported on the statement of cash and cash equivalents, investments, and fund cash balances as of June 30, 2011:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Carrying amount of deposits	\$ 3,347,710	\$ 0	\$ 3,347,710
Investments	<u>4,650,624</u>	<u>16,045,082</u>	<u>20,695,706</u>
Total	<u>\$ 7,998,334</u>	<u>\$ 16,045,082</u>	<u>\$ 24,043,416</u>

(3) PROPERTY TAX

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(3) PROPERTY TAX (CONTINUED)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible property taxes paid by April 30 are usually received by the District prior to June 30.

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

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

(4) DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2011, plan members contributed 10 percent of their annual-covered salary and the District contributed 14 percent. Contributions amounted to \$122,592 for the year ended June 30, 2011. The District has paid all contributions required through June 30, 2011.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(4) DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System

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

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

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

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2011 members of STRS contributed 10 percent of their wages to the STRS. The District contributed an amount equal to 14 percent of their wages with 13 percent used to fund the pension obligation. Contributions amounted to \$463,980 for the years ended June 30, 2011. The District has paid all contributions required through June 30, 2011.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

(5) RISK MANAGEMENT

A. Commercial Insurance

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

B. Self Insurance

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

A comparison of Self Insurance Fund cash and investments to the actuary-measured liability as of June 30, 2011:

Cash and investments	\$	40,024
Actuarial liabilities		4,808

C. Health and Life Insurance Programs

The District entered into an agreement with the Ohio Mid Eastern Regional Education Service Agency (OME-RESA) for its self insured medical and life programs. OME-RESA provides jointly administrated benefit programs for schools. OME-RESA has designated Self Funded Plans, Inc. of Cleveland as their claim administrator. Interfund rates are charged based on claims approved by the claims administrator.

A comparison of Self Insurance Fund cash and investments to the actuary-measured liability as of June 30, 2011:

Cash and investments	\$	353,701
Actuarial liabilities		123,207

(6) PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

(6) PUBLIC ENTITY RISK POOL (CONTINUED)

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

(7) NONCOMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service Fund by \$337,882.

(8) SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance at June 30, 2010	\$ 0	\$ 0	\$ 118,000
Current Year Set Aside Requirement	134,618	134,618	0
Current Year Qualifying Expenditures		(2,198,008)	0
Excess Qualified Expenditures from Prior Years	<u>(138,192)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ (3,574)</u>	<u>\$ (2,063,390)</u>	<u>\$ 118,000</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ (3,574)</u>	<u>\$ (1,883,390)</u>	<u>\$ 0</u>
Set Aside Reserve Balance at June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,000</u>

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

(9) LONG-TERM OBLIGATIONS

The District had the following long term debt obligations at June 30, 2011:

FY 2001 Energy Conservation Loan

On November 1, 2000, the District obtained a loan in the amount of \$200,000 from Fifth Third Bank to provide energy conservation measures for the District. The loan was issued under the authority of H.B. 264 amended, Ohio Revised Code § 133.06G and 3313.372-373 for a ten year period, with final maturity in fiscal year 2011. Quarterly payments are \$6,915, including interest at 70 percent of the prime rate, 2.28 percent for the year ended June 30, 2011. No assets were pledged to secure this note.

FY 2011 Ohio School Facilities Bonds

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

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

Qualified School Construction Bonds (QSCB):

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

(9) LONG-TERM OBLIGATIONS (CONTINUED)

The following is a description of the District's general obligation debt outstanding as of June 30, 2011.

	<u>Interest Rate</u>	<u>Outstanding 7/1/10</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Outstanding 6/30/11</u>	<u>Amounts Due Within One Year</u>
Energy Conservation Loan	2.28 %	\$ 5,356	\$	\$ (5,356)	\$ 0	\$ 0
TEB and BAB Bonds	5.53 %	\$ 0	\$ 5,360,000	\$ 0	\$ 5,360,000	\$
QSCB Bonds	5.62 %	\$ <u>0</u>	\$ <u>10,975,000</u>	\$ <u>0</u>	\$ <u>10,975,000</u>	\$ <u>270,000</u>
Total		\$ <u>5,356</u>	\$ <u>16,335,000</u>	\$ <u></u>	\$ <u>16,335,000</u>	\$ <u>270,000</u>

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

<u>Fiscal Year Ending</u>	<u>TEB and BAB BONDS</u>		<u>QSCB BONDS</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 0	\$ 296,420	\$ 270,000	\$ 618,061
2013	50,000	295,920	316,000	618,061
2014	55,000	294,870	316,000	618,061
2015	40,000	293,920	320,000	618,061
2016	45,000	293,013	331,000	618,061
2017-2021	360,000	1,440,170	1,783,000	3,090,303
2022-2026	600,000	1,357,794	2,068,000	3,090,303
2027-2031	955,000	1,150,607	1,186,000	2,671,294
2032-2036	1,505,000	790,372	890,000	1,201,004
2037-2041	1,750,000	223,189	1,235,000	889,570
2042-2046	0	0	1,545,000	468,119
2047-2048	0	0	715,000	44,723

(10) JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

(11) CONTINGENT LIABILITIES

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

(12) INTERFUND TRANSFERS

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

(13) CONSTRUCTION AND CONTRACTUAL COMMITMENTS

As of June 30, 2011 the School District entered into a contract with an architect to design the construction of a new school facility. The outstanding balance on the contract as of June 30, 2011 was \$918,144. The School also entered into a contract with a construction company for predevelopment phase of the construction project. The outstanding encumbered balance as of June 30, 2011 was \$712,000.

(14) SUBSEQUENT EVENTS

The School District has evaluated subsequent events through January 13, 2012, the date the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosure.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>
United States Department of Agriculture: (Passed through Ohio Department of Education)				
Nutrition Cluster:				
Food Distribution Program	10.550	N/A	\$ 21,256	\$ 21,256
National School Lunch Program	10.555	N/A	<u>132,267</u>	<u>132,267</u>
Total Nutrition Cluster			153,523	153,523
Total United States Department of Agriculture			<u>153,523</u>	<u>153,523</u>
United States Department of Education: (Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Grants to States	84.027	2010	2,010	2,565
Special Education Grants to States	84.027	2011	144,387	144,318
ARRA - Special Education Grants to States	84.391	2010	<u>84,624</u>	<u>84,735</u>
Total Special Education Cluster:			231,021	231,618
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	2010	6,848	7,400
Title I Grants to Local Educational Agencies	84.010	2011	64,037	63,992
ARRA - Title I Grants to Local Educational Agencies	84.389	2011	<u>33,033</u>	<u>32,597</u>
Total Title I, Part A Cluster			103,918	103,989
Educational Technology State Grants			84.318	2011
			243	243
Title II-A Improving Teacher Quality Grant			84.367	2010
			36,756	36,936
ARRA-State Fiscal Stabilization Fund			84.394	2010
			157,821	157,821
Education and Jobs			84.410	2011
			<u>112,439</u>	<u>121,383</u>
Total U.S. Department of Education			<u>642,198</u>	<u>651,990</u>
Total All Federal Assistance			<u>\$ 795,721</u>	<u>\$ 805,513</u>

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

(1) BASIS OF PRESENTATION

The accompanying schedule of federal awards receipts and expenditures (the Schedule) summarizes the activity of Hopewell-Loudon Local School District's (the District's) federal award programs. The Schedule has been prepared on the cash basis of accounting.

(2) CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

(3) FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at fair value. The District allocated donated food commodities to the respective programs that benefited from the use of those donated food commodities.

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**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
290 North County Road 7
P.O. Box 400
Bascom, OH 44809-0400

To the Board of Education:

We have audited the financial statements of Hopewell-Loudon Local School District (the District) as of and for the years ended June 30, 2011, and have issued our report thereon dated January 13, 2012, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements on a basis of accounting and presentation the Auditor of State formally prescribed or permitted for governments which is not in accordance with accounting principles generally accepted in the United States of America. In addition, the District did not include the reporting of governmental type funds by constraints placed upon the use of resources within the funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

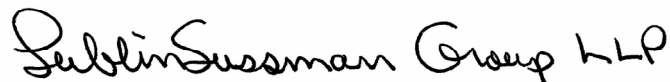
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule as Finding 2011-003 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-001 and 2011-002.

The Hopewell-Loudon Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Dublin Sussman Group LLP".

January 13, 2012
Toledo, Ohio

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Hopewell-Loudon Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Hopewell-Loudon Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

This report is intended solely for the information and use of management, the District's Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SublinSussman Group LLP

January 13, 2012
Toledo, Ohio

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(v)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(vi)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(vii)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(viii)	Are there any reportable findings under Section .510(a)?	No
(d)(1)(ix)	Major Programs (list)	Special Education Cluster: Special Education Grants to States CFDA #84.027 ARRA - Special Education Grants to States CFDA #84.391 Title I, Part A Cluster: Title I Grants to Local Educational Agencies CFDA #84.010 ARRA - Title I Grants to Local Educational Agencies CFDA #84.389 ARRA State Fiscal Stabilization Fund - Education State Grants CFDA #84.394
(d)(1)(x)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(xi)	Low Risk Auditee?	No

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2011 (CONTINUED)

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

FINDING NUMBER 2011-001

Noncompliance Citation

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

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

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

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

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2011 (CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been lawfully appropriated. It was noted that total expenditures plus contract commitments exceeded total appropriations for the year ended June 30, 2011 for the Debt Service Fund by \$337,882. This difference occurred because the District did not record the bond interest that was paid by federal subsidies and from escrow accounts, therefore, did not appropriate for them.

We recommend the District record all debt service payments made from outside parties as expenditures and appropriate for them.

Response: The District will record all future transactions in this manner.

FINDING NUMBER 2011-003

Material Weakness - Recording of Bond Proceeds and Interest Payments

During the year, the District issued four bonds totaling \$16,335,000 and interest on these bonds of \$521,181 was paid throughout the year. \$350,844 of this interest was paid from escrow accounts or from the federal government and was not paid or recorded by the District. This resulted in an understatement of interest and fiscal charges. In addition, \$198,914 of the bond proceeds were deposited into an escrow account that was not recorded. This resulted in an overstatement of capital outlay by \$198,914 and an understatement of cash and cash equivalents at June 30, 2011 by \$70,533.

We recommend the District implement procedures to ensure that transactions made by outside parties on behalf of the district are properly reflected within their accounting system.

Response: The District will record all future transactions in this manner.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2011 (CONTINUED)

3. FINDINGS FOR FEDERAL AWARDS

None.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
 SENECA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEARS ENDED JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Noncompliance: ORC § 117.38 - District did not report on GAAP basis.	No	Not corrected. Repeated as Finding 2011-01.
2010-002	Noncompliance: Ohio Energy Conservation Financing Program. Failure to submit annual report.	N/A	Finding no longer valid.
2010-003	Noncompliance: ORC § 5705.41 - Total Expenditures exceeds total appropriations	No	Not corrected. Repeated as Finding 2011-02.

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

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 8th, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

LublinSussman Group LLP

January 13, 2012
Toledo, OH

www.lublinsussman.com

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Dave Yost • Auditor of State

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2012