bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2019 and 2018
Fiscal Year Audited Under GAGAS: 2019 and 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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Board of Education
Hopewell Loudon Local School District
PO Box 400
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, 2017 through June 30, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2020

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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

Members of the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopewell-Loudon Local School District, Seneca County, Ohio (the School District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopewell-Loudon Local School District, Seneca County, Ohio, as of June 30, 2019 and 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
December 6, 2019

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

The management's discussion and analysis of the Hopewell-Loudon Local School District's (the "District") financial performance provides an overall review of the District's cash basis financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- The total net cash position of the District decreased $335,003 or 5.82% from fiscal year 2018.

- General cash receipts accounted for $9,359,483 in cash receipts or 77.45% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for $2,724,352 in cash receipts or 22.55% of total cash receipts of $12,083,835.

- The District had $12,418,838 in cash disbursements related to governmental activities; $2,724,352 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 $9,359,483 were not adequate to provide for these programs during fiscal year 2019.

- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had $10,213,025 in cash receipts and other financing sources and $10,157,463 in cash disbursements and other financing uses. During fiscal year 2019, the general fund's fund cash balance increased $55,562 from $3,846,510 to $3,902,072.

- The bond retirement fund had $1,211,514 in cash receipts and $1,825,682 in cash disbursements. During fiscal year 2019, the bond retirement fund's fund cash balance decreased $614,168 from $681,422 to $67,254.

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 and the bond retirement fund are both 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 answer the question, "How did the District do financially during fiscal year 2019?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 14 - 15 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' most significant funds. The District's major governmental funds are the general fund and the bond retirement 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 of 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 16 - 20 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 21 - 22 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position – cash basis and changes in fiduciary net position – cash basis on pages 23 - 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26 - 55 of this report.

Government-wide Financial Analysis

The table below provides a summary of the District's net cash position at June 30, 2019 and June 30, 2018.

Net Cash Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current assets	$ 5,416,822	$ 5,351,825
Net Cash Position		
Restricted	728,404	902,743
Unrestricted	4,688,418	4,449,082
Total net cash position	$ 5,416,822	$ 5,351,825

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2019, the total net cash position of the District was $5,416,822. A portion of the District's net cash position, $728,404, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of $4,688,418 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 2019 and 2018.

Change in Net Cash Position

	Governmental Activities 2019	Governmental Activities 2018
Cash receipts:		
Program cash receipts:		
Charges for services and sales	$ 2,007,101	$ 2,029,057
Operating grants and contributions	717,251	418,196
General cash receipts:		
Property taxes	4,598,021	3,504,373
Income taxes	489,093	485,590
Unrestricted grants and entitlements	3,773,012	3,780,613
Investment earnings	81,313	68,679
Miscellaneous	124,149	20,460
Total cash receipts	11,789,940	10,306,968

- Continued

Change in Net Cash Position
(Continued)

	Governmental Activities 2019	Governmental Activities 2018
Cash disbursements:		
Current:		
Instruction:		
Regular	$ 5,134,346	$ 4,808,695
Special	1,516,877	1,380,894
Vocational	3,756	11,665
Other	13,102	23,891
Support services:		
Pupil	499,455	439,107
Instructional staff	223,136	211,536
Board of education	98,953	63,028
Administration	639,705	601,164
Fiscal	406,956	330,019
Operations and maintenance	787,858	1,246,406
Pupil transportation	353,859	296,103
Central	24,823	14,696
Operation of non-instructional services:		
Food service operations	360,989	362,935
Extracurricular activities	541,294	547,098
Facilities acquisition and construction	940	50,304
Debt service:		
Principal retirement	425,000	399,000
Interest and fiscal charges	693,894	695,717
Total cash disbursements	11,724,943	11,482,258
Change in net cash position	64,997	(1,175,290)
Net cash position at beginning of year	5,351,825	6,527,115
Net cash position at end of year	$ 5,416,822	$ 5,351,825

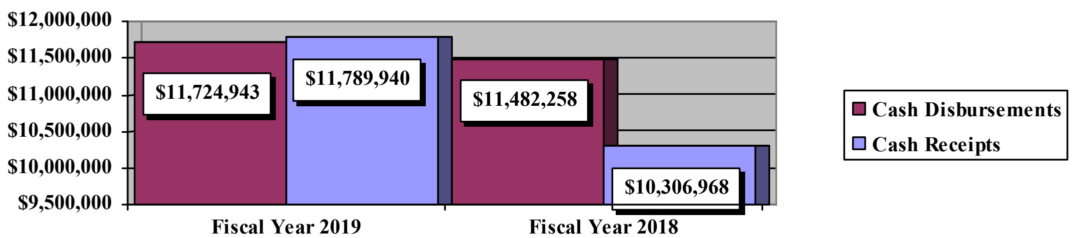
Governmental Activities

Net cash position of the District's governmental activities increased $64,997. Total governmental cash disbursements of $11,724,943 were offset by program cash receipts of $2,724,352 and general cash receipts of $9,065,588. Program cash receipts supported 23.10% of the total governmental cash disbursements. The largest cash disbursement category of the District is for instructional programs, which totaled $6,668,081.

The primary sources of cash receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These cash receipt sources represent 74.81% 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 2018 and 2019.

Governmental Activities - Cash Receipts and Cash Disbursements



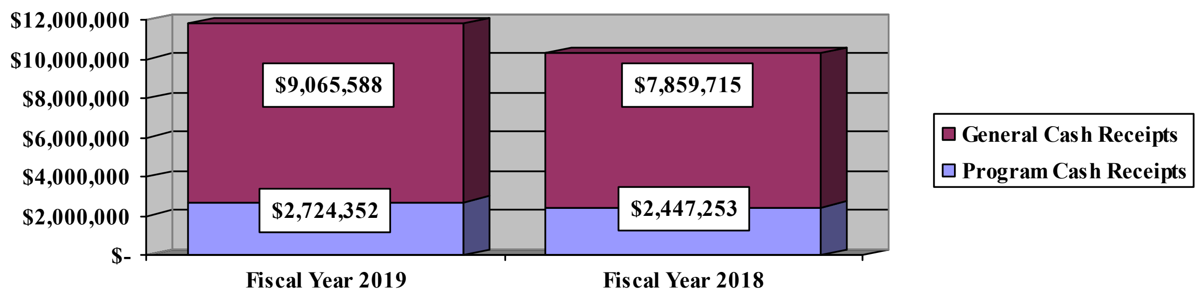
The table below presents the District's total cost of services and net cost of services for fiscal years 2019 and 2018.

	Governmental Activities			
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Cash disbursements:				
Instruction:				
Regular	$ 5,134,346	$ 3,699,330	$ 4,808,695	$ 3,391,738
Special	1,516,877	947,390	1,380,894	1,043,279
Vocational	3,756	(713)	11,665	7,196
Other	13,102	13,102	23,891	23,891
Support services:				
Pupil	499,455	444,948	439,107	432,117
Instructional staff	223,136	219,536	211,536	207,936
Board of education	98,953	98,953	63,028	63,028
Administration	639,705	638,286	601,164	599,007
Fiscal	406,956	406,956	330,019	330,019
Operations and maintenance	787,858	763,177	1,246,406	1,232,791
Pupil transportation	353,859	333,484	296,103	281,314
Central	24,823	24,823	14,696	14,696
Operation of non-instructional services:				
Food service operations	360,989	75,464	362,935	63,349
Extracurricular activities	541,294	216,021	547,098	199,623
Facilities acquisition and construction	940	940	50,304	50,304
Debt service:				
Principal retirement	425,000	425,000	399,000	399,000
Interest and fiscal charges	693,894	693,894	695,717	695,717
Total	$ 11,724,943	$ 9,000,591	$ 11,482,258	$ 9,035,005

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 78.06% 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 2019 and 2018.

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 $5,050,796, which is greater than last year's total fund cash balance of $4,774,856. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2019 and June 30, 2018.

	Fund Cash Balance June 30, 2019	Fund Cash Balance June 30, 2018	Increase/ (Decrease)	Percentage Change
General	$ 3,902,072	$ 3,846,510	$ 55,562	1.44 %
Bond retirement	67,254	281,422	(214,168)	(76.10) %
Nonmajor governmental	1,081,470	646,924	434,546	67.17 %
Total	$ 5,050,796	$ 4,774,856	$ 275,940	5.78 %

General Fund

The District's general fund cash balance increased $55,562.

The table that follows assists in illustrating the cash receipts of the general fund for fiscal years 2019 and 2018.

	2019 Amount	2018 Amount	Percentage Change
Cash Receipts:			
Taxes	$ 4,521,978	$ 3,520,755	28.44 %
Tuition	1,464,735	1,495,536	(2.06) %
Earnings on investments	74,942	65,999	13.55 %
Intergovernmental	3,720,487	3,650,145	1.93 %
Other receipts	226,193	121,694	85.87 %
Total	$ 10,008,335	$ 8,854,129	13.04 %

Overall cash receipts of the general fund increased $1,154,206 or 13.04%. This increase was primarily due to the increase in taxes of $1,001,223 or 28.44%. The increase in taxes was due to an increase in tangible personal property tax receipts from the rover pipeline project. One of the two pipelines were operational during calendar year 2018. The 2018 valuation (collection fiscal year 2019) increased by $28,949,300 from the project. Typically, half of these collections are received in the spring and half in the fall but, Rover paid the entire 2018 tax bill in the spring of 2019. Other receipts increased $104,499 or 85.87% mainly due to a decrease in miscellaneous receipts during fiscal year 2018. Other receipts during fiscal year 2019 are comparable with fiscal year 2017. Otherwise, general fund cash receipts remained comparable to 2018.

The table that follows assists in illustrating the cash disbursements of the general fund for fiscal years 2019 and 2018.

	2019 Amount	2018 Amount	Percentage Change
Cash Disbursements:			
Instruction	$ 6,295,060	$ 6,100,442	3.19 %
Support services	2,792,368	2,810,037	(0.63) %
Extracurricular activities	289,937	315,523	(8.11) %
Total	$ 9,377,365	$ 9,226,002	1.64 %

Overall, there was a slight increase in cash disbursements of $151,363 or 1.64%. All disbursements remained comparable to 2018.

Bond Retirement Fund

During fiscal year 2019, the bond retirement fund's fund cash balance decreased $214,168 from $281,422 to $67,254. The District continues to maintain a fund cash balance in the bond retirement fund that is sufficient to support current and future debt service requirements.

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts and other financing sources of $9,800,000 were $1,500,000 greater than the original budgetary basis receipts and other financing sources of $8,300,000. Actual budgetary basis receipts and other financing sources of $10,144,427 were $344,427 greater than the final budget estimates.

The final budgetary basis disbursements and other financing uses of $10,292,961 were $200,000 greater than the original budgetary basis disbursements of $10,092,961. The actual budgetary basis disbursements and other financing uses of $10,179,745 were $113,216 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of $940 during fiscal year 2019.

Debt Administration

At June 30, 2019, the District had $13,008,000 in bonds outstanding. Of this total, $456,000 is due within one year and $12,552,000 is due in more than one year. The following table summarizes the general obligation bonds outstanding at June 30, 2019 and June 30, 2018.

	Governmental Activities 2019	Governmental Activities 2018
General obligation bonds	$ 13,008,000	$ 13,433,000

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 Ms. Jennifer Hedrick, Treasurer, Hopewell-Loudon Local School District, 290 North County Road #7, Bascom, Ohio 44809-0400.

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HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 5,100,630
Cash with fiscal agent	316,192
Total assets	5,416,822
Net cash position:	
Restricted for:	
Classroom facilities maintenance	422,926
Debt service	67,254
Locally funded programs	13,249
State funded programs	15,171
Federally funded programs	4,775
Extracurricular activities	134,232
Food service operations	70,797
Unrestricted	4,688,418
Total net cash position	$ 5,416,822

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, 2019

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 5,134,346	$ 1,411,931	$ 23,085	$ (3,699,330)
Special	1,516,877	99,070	470,417	(947,390)
Vocational	3,756	-	4,469	713
Other	13,102	-	-	(13,102)
Support services:				
Pupil	499,455	-	54,507	(444,948)
Instructional staff	223,136	-	3,600	(219,536)
Board of education	98,953	-	-	(98,953)
Administration	639,705	1,419	-	(638,286)
Fiscal	406,956	-	-	(406,956)
Operations and maintenance	787,858	938	23,743	(763,177)
Pupil transportation	353,859	17,558	2,817	(333,484)
Central	24,823	-	-	(24,823)
Operation of non-instructional services:				
Food service operations	360,989	172,222	113,303	(75,464)
Extracurricular activities	541,294	303,963	21,310	(216,021)
Facilities acquisition and construction	940	-	-	(940)
Debt service:				
Principal retirement	425,000	-	-	(425,000)
Interest and fiscal charges	693,894	-	-	(693,894)
Totals	$ 11,724,943	$ 2,007,101	$ 717,251	(9,000,591)
		General cash receipts:		
		Property taxes levied for:		
		General purposes		4,032,885
		Debt service		565,136
		Income taxes levied for:		
		General purposes		489,093
		Grants and entitlements not restricted to specific programs		3,773,012
		Investment earnings		81,313
		Miscellaneous		124,149
		Total general cash receipts		9,065,588
		Change in net cash position		64,997
		Net cash position at beginning of year		5,351,825
		Net cash position at end of year		$ 5,416,822

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, 2019

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 3,902,072	$ 67,254	$ 1,081,470	$ 5,050,796
Fund cash balances:				
Restricted:				
Debt service	$ -	$ 67,254	$ -	$ 67,254
Classroom facilities maintenance	-	-	422,926	422,926
Food service operations	-	-	70,797	70,797
Extracurricular activities	-	-	134,232	134,232
Other purposes	-	-	33,195	33,195
Committed:				
Termination benefits	255,295	-	-	255,295
Assigned:				
Student instruction	48,837	-	-	48,837
Student and staff support	94,113	-	-	94,113
Capital improvements	-	-	420,320	420,320
Other purposes	4,591	-	-	4,591
Unassigned	3,499,236	-	-	3,499,236
Total fund cash balances	$ 3,902,072	$ 67,254	$ 1,081,470	$ 5,050,796

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, 2019

Total governmental fund cash balances	$	5,050,796
Amounts reported for governmental activities on the statement of net position - cash basis are different because:		
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.		366,026
Net position - cash basis of governmental activities	$	5,416,822

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, 2019

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:				
From local sources:				
Property taxes	$ 4,032,885	$ 565,136	$ -	$ 4,598,021
Income taxes.	489,093	-	-	489,093
Tuition.	1,464,735	-	-	1,464,735
Earnings on investments	74,942	-	-	74,942
Charges for services	-	-	172,222	172,222
Extracurricular.	28,695	-	282,310	311,005
Classroom materials and fees	58,101	-	-	58,101
Rental income	938	-	-	938
Contributions and donations	25,510	-	7,000	32,510
Other local receipts	112,949	-	28,465	141,414
Intergovernmental - state	3,720,487	57,643	22,063	3,800,193
Intergovernmental - federal	-	294,840	345,555	640,395
Total cash receipts	10,008,335	917,619	857,615	11,783,569
Cash disbursements:				
Current:				
Instruction:				
Regular.	4,980,860	-	24,181	5,005,041
Special	1,297,708	-	186,855	1,484,563
Vocational	3,756	-	-	3,756
Other	12,736	-	-	12,736
Support services:				
Pupil	410,229	-	79,000	489,229
Instructional staff	219,504	-	-	219,504
Board of education	98,953	-	-	98,953
Administration	622,973	-	1,354	624,327
Fiscal	385,252	12,893	-	398,145
Operations and maintenance	698,313	-	82,594	780,907
Pupil transportation	332,321	-	16,753	349,074
Central	24,823	-	-	24,823
Operation of non-instructional services:				
Food service operations	-	-	355,443	355,443
Extracurricular activities	289,937	-	251,357	541,294
Facilities acquisition and construction.	-	-	940	940
Debt service:				
Principal retirement.	-	425,000	-	425,000
Interest and fiscal charges	-	693,894	-	693,894
Total cash disbursements	9,377,365	1,131,787	998,477	11,507,629
Excess (deficiency) of cash receipts over (under) cash disbursements	630,970	(214,168)	(140,862)	275,940
Other financing sources (uses):				
Transfers in.	-	-	780,098	780,098
Transfers (out)	(780,098)	-	-	(780,098)
Advances in	204,690	-	-	204,690
Advances (out)	-	-	(204,690)	(204,690)
Total other financing sources (uses)	(575,408)	-	575,408	-
Net change in fund cash balances	55,562	(214,168)	434,546	275,940
Fund cash balances at beginning of year	3,846,510	281,422	646,924	4,774,856
Fund cash balances at end of year	$ 3,902,072	$ 67,254	$ 1,081,470	$ 5,050,796

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, 2019

Net change in fund balances - cash basis - total governmental funds	$	275,940
Amounts reported for governmental activities in the statement of activities - cash basis are different because:		
An internal service fund for self-insurance is not reported in the district-wide statement of activities - cash basis. Governmental fund cash disbursements and the related internal service fund cash receipts are eliminated. The net cash receipts (cash disbursements) of the internal service fund are allocated among the governmental activities.		(210,943)
Change in net cash position of governmental activities	$	64,997

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Budgetary basis receipts:				
From local sources:				
Property taxes	$ 3,367,590	$ 3,976,189	$ 4,032,885	$ 56,696
Income taxes.	408,408	482,217	489,093	6,876
Tuition.	1,223,101	1,444,143	1,464,735	20,592
Earnings on investments	62,579	73,888	74,942	1,054
Classroom materials and fees	45,458	53,674	54,439	765
Rental income	783	925	938	13
Contributions and donations	3,507	4,141	4,200	59
Other local receipts	81,660	96,418	97,793	1,375
Intergovernmental - state	3,106,726	3,668,183	3,720,487	52,304
Total budgetary basis receipts.	8,299,812	9,799,778	9,939,512	139,734
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,391,672	5,029,657	5,018,536	11,121
Special.	1,383,865	1,302,030	1,300,757	1,273
Vocational.	14,987	25,940	3,756	22,184
Other.	13,549	12,762	12,736	26
Support services:				
Pupil.	427,931	402,240	402,240	-
Instructional staff	218,213	207,353	204,696	2,657
Board of education	110,498	104,079	103,864	215
Administration.	667,561	630,630	627,049	3,581
Fiscal	442,320	415,292	413,415	1,877
Operations and maintenance.	762,485	768,708	701,568	67,140
Pupil transportation	366,465	336,899	335,230	1,669
Central.	30,770	28,983	28,923	60
Extracurricular activities.	262,645	247,388	246,877	511
Total budgetary basis disbursements.	10,092,961	9,511,961	9,399,647	112,314
Excess (deficiency) of cash receipts over (under) cash disbursements	(1,793,149)	287,817	539,865	252,048
Other financing sources (uses):				
Refund of prior year's expenditures	188	222	225	3
Transfers (out).	-	(781,000)	(780,098)	902
Advances in.	-	-	204,690	204,690
Total other financing uses	188	(780,778)	(575,183)	205,595
Net change in fund cash balance	(1,792,961)	(492,961)	(35,318)	457,643
Unencumbered fund balance at beginning of year.	3,441,593	3,441,593	3,441,593	-
Prior year encumbrances appropriated	92,961	92,961	92,961	-
Unencumbered fund balance at end of year	$ 1,741,593	$ 3,041,593	$ 3,499,236	$ 457,643

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, 2019

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and investments . . .	$ 49,834
Cash with fiscal agent	316,192
Total assets.	366,026
Net cash position:	
Unrestricted.	366,026
Total net cash position	$ 366,026

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Operating cash receipts:	
Charges for services	$ 1,382,511
Operating cash disbursements:	
Purchased services.	357,903
Claims	1,241,922
Total operating cash disbursements	1,599,825
Operating loss.	(217,314)
Nonoperating cash receipts:	
Earnings on investments	6,371
Change in net cash position	(210,943)
Net cash position at beginning of year. .	576,969
Net cash position at end of year	$ 366,026

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, 2019

	Private-Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and investments	$ 42,207	$ 103,224
Net cash position:		
Due to students	$ -	$ 91,430
Due to others	-	11,794
Held in trust for scholarships	42,207	-
Total net cash position	$ 42,207	$ 103,224

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	$ 2,101
Deductions:	
Scholarships awarded	5,357
Change in net cash position.	(3,256)
Net cash position at beginning of year. . .	45,463
Net cash position at end of year	$ 42,207

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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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 36 non-certified employees, 51 certified employees, and 5 administrators who provide services to 814 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.

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.

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY 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 agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's only trust fund is a private-purpose trust fund that accounts for scholarship programs. The District's agency fund activity is reported in a single column on the basic financial statements.

C. Basis of Presentation

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

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

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

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

E. Cash and Investments

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

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

During fiscal year 2019, 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.

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 2019, 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 $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 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 2019 amounted to $74,942, which includes $18,154 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.

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

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.

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. Long-Term Obligations

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

L. Fund Cash Balance

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

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

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

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

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

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

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.

M. Net Cash Position

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

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

N. Interfund Balances

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

O. Interfund Activity

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have any extraordinary or special items during fiscal year 2019.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Compliance

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Cash Balance

	General fund
Budget basis	$ (35,318)
Funds budgeted elsewhere	(6,247)
Adjustment for encumbrances	97,127
Cash basis	$ 55,562

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

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.

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, 2019 was $316,192.

C. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all School District deposits was $2,021,675. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, $1,700,107 of the School District's bank balance of $2,150,107 was collateralized by pledged collateral held by a financial institution in the District's name as discussed below, while $450,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the 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 2019, the School District's financial institutions were approved for a reduced collateral rate 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.

D. Investments

As of June 30, 2019, the District had the following investments and maturities:

Investment Type	Carrying Value	Maturity 6 Months or Less
STAR Ohio	$ 3,224,386	$ 3,224,386

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 0.00 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its 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, 2019:

Investment Type	Carrying Value	% to Total
STAR Ohio	$ 3,224,386	100.00

E. 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, 2019:

Cash and investments per note disclosure		
Carrying amount of deposits	$	2,021,675
Cash with fiscal agent		316,192
Investments		3,224,386
Total	$	5,562,253
Cash and investments per statement of net position		
Governmental activities	$	5,416,822
Private-purpose trust fund		42,207
Agency fund		103,224
Total	$	5,562,253

NOTE 6 - INTERFUND TRANSACTIONS

A. Advances in and advances out during fiscal year 2019 consisted of the following, as reported on the fund financial statements:

Advances In	Advances Out	Amount
General fund	Nonmajor governmental funds	$ 204,690

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

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

B. Interfund transfers during fiscal year 2019 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental funds	$ 780,098

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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2019 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.

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 122,016,830	95.14	$ 122,272,230	77.66
Public utility personal	6,227,000	4.86	35,176,300	22.34
Total	$ 128,243,830	100.00	$ 157,448,530	100.00
Tax rate per $1,000 of assessed valuation	$43.40		$42.53	

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 2019 equaled $489,093.

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2019, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding July 1, 2018	Additions	Reductions	Balance Outstanding June 30, 2019	Amounts Due in One Year
Governmental Activities:					
Series 2010 OSFC Bonds	$ 700,000	$ -	$ (70,000)	$ 630,000	$ 85,000
Series 2010 Qualified School Construction Bonds	4,213,000	-	(355,000)	3,858,000	371,000
Series 2016 Refunding OSFC Bonds	4,085,000	-	-	4,085,000	-
Series 2016 Refunding Qualified School Construction Bonds	4,435,000	-	-	4,435,000	-
Total Long-term Obligations, Governmental Activities	$ 13,433,000	$ -	$ (425,000)	$ 13,008,000	$ 456,000

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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 2019, the District made a principal payment of $70,000.

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 2019, the District made a principal payment of $355,000.

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.

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.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the long-term obligations at June 30, 2019 are as follows:

Fiscal Year Ending	Series 2010 OSFC Bonds			Series 2010 QSCB		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 85,000	$ 22,290	$ 107,290	$ 371,000	$ 203,114	$ 574,114
2021	90,000	19,655	109,655	383,000	182,847	565,847
2022	95,000	16,730	111,730	395,000	161,923	556,923
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 - 2029	130,000	4,875	134,875	1,834,000	633,049	2,467,049
2030	-	-	-	70,000	400,000	470,000
Total	$ 630,000	$ 86,425	$ 716,425	$ 3,858,000	$ 1,839,770	$ 5,697,770

Fiscal Year Ending	Series 2016 Refunding OSFC Bonds			Series 2016 Refunding QSCB		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ -	$ 163,400	$ 163,400	$ -	$ 163,038	$ 163,038
2021	-	163,400	163,400	-	163,038	163,038
2022	-	163,400	163,400	-	163,038	163,038
2023	-	163,400	163,400	-	163,038	163,038
2024	-	163,400	163,400	-	163,038	163,038
2025 - 2029	625,000	769,700	1,394,700	-	815,190	815,190
2030 - 2034	1,135,000	585,900	1,720,900	650,000	765,185	1,415,185
2035 - 2039	1,875,000	286,900	2,161,900	1,065,000	584,485	1,649,485
2040 - 2044	450,000	9,000	459,000	1,400,000	341,591	1,741,591
2045 - 2048	-	-	-	1,320,000	87,914	1,407,914
Total	$ 4,085,000	$ 2,468,500	$ 6,553,500	$ 4,435,000	$ 3,409,555	$ 7,844,555

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, 2019 and June 30, 2018 are as follows:

	2019	2018
Cash and investments	$ 49,834	$ 55,959
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 Self-Funded Plans, Inc. of Cleveland as their claims administrator. Interfund rates are charged based on claims approved by the claims administrator.

A comparison of self-insurance fund cash and investments to the actuary-measured liability as of June 30, 2019 and June 30, 2018 are as follows:

	2019	2018
Cash and investments	$ 316,192	$ 521,010
Actuarial liabilities	n/a	n/a

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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	Age 65 with 5 years of services credit: or 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.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above of below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $140,254 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, 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 Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, 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.

The DC Plan allows members to place all 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 or later.

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $576,487 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03040780%	0.03402424%	
Proportion of the net pension liability current measurement date	0.03165160%	0.03419753%	
Change in proportionate share	0.00124380%	0.00017329%	
Proportionate share of the net pension liability	$ 1,812,746	$ 7,519,269	$ 9,332,015

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, 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, 2015.

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.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 2,553,389	$ 1,812,746	$ 1,191,766

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table 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. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	100.00 %	

*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.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 10,980,903	$ 7,519,269	$ 4,589,466

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 Comprehensive Annual 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.

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 fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. 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 2019, the District's surcharge obligation was $17,113.

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 $22,308 for fiscal year 2019.

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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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, 2019, 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, 2018, 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:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.03086530%	0.03402424%	
Proportion of the net OPEB liability/asset current measurement date	0.03206350%	0.03419753%	
Change in proportionate share	0.00119820%	0.00017329%	
Proportionate share of the net OPEB liability	$ 889,528	$ -	$ 889,528
Proportionate share of the net OPEB asset	$ -	$ 549,519	$ 549,519

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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2010 through 2015, and was adopted by the Board on April 21, 2016. 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, 7.50%, 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, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.75%) and higher (8.5% decreasing to 5.75%) than the current rate.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	$ 1,079,372	$ 889,528	$ 739,207

	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	$ 717,686	$ 889,528	$ 1,117,078

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
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	7.45%, 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%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	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 Table 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 Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial assumptions used in the June 30, 2018, 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 increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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	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	100.00 %	

*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.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate **-** The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes 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. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

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, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower 6.45%) or one percentage point higher (8.45%) 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	$ 470,990	$ 549,519	$ 615,520

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 611,794	$ 549,519	$ 486,275

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

The District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the 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, 2019 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

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.

NOTE 14 - SET-ASIDES - (Continued)

	Capital Improvements
Set-aside balance June 30, 2018	$ -
Current year set-aside requirement	150,410
Current year qualifying disbursements	(118,093)
Prior year offset from debt proceeds	(32,317)
Total	$ -
Balance carried forward to fiscal year 2020	$ -
Set-aside balance June 30, 2019	$ -

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 $15,370,180 at June 30, 2019.

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:

Fund	Year End Encumbrances
General fund	$ 102,627
Nonmajor governmental funds	103,355
Total	$ 205,982

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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, 2018. 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 2018 are as follows:

- The total net cash position of the District decreased $1,175,290 or 18.00% from fiscal year 2017.

- General cash receipts accounted for $7,565,977 in cash receipts or 76.25% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for $2,447,253 in cash receipts or 23.74% of total cash receipts of $10,306,968.

- The District had $11,482,258 in cash disbursements related to governmental activities; $2,447,253 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 $7,859,715 were not adequate to provide for these programs during fiscal year 2018.

- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had $8,884,729 in cash receipts and other financing sources and $9,477,991 in cash disbursements and other financing uses. During fiscal year 2018, the general fund's fund cash balance decreased $593,262 from $4,439,772 to $3,846,510.

- The bond retirement fund had $822,646 in cash receipts and $1,104,925 in cash disbursements. During fiscal year 2018, the bond retirement fund's fund cash balance decreased $282,279 from $563,701 to $281,422.

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 and the bond retirement fund are both 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 answer the question, "How did the District do financially during fiscal year 2017?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 68 - 69 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 70. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District' most significant funds. The District's major governmental funds are the general fund and the bond retirement 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 of 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 70-73 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 75 – 7+ of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position – cash basis and changes in fiduciary net position – cash basis on pages 77 – 78. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 80 - 111 of this report.

Government-wide Financial Analysis

The table below provides a summary of the District's net cash position at June 30, 2018 and June 30, 2017.

Net Cash Position

	Governmental Activities 2018	Governmental Activities 2017
Assets		
Current assets	$ 5,351,825	$ 6,927,115
Net Cash Position		
Restricted	902,743	1,662,255
Unrestricted	4,449,082	5,264,860
Total net cash position	$ 5,351,825	$ 6,927,115

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2018, the total net cash position of the District was $5,351,825. A portion of the District's net cash position, $902,743, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of $4,449,082 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 2018 and 2017.

Change in Net Cash Position

	Governmental Activities 2018	Governmental Activities 2017
Cash receipts:		
Program cash receipts:		
Charges for services and sales	$ 2,029,057	$ 2,064,854
Operating grants and contributions	418,196	679,351
General cash receipts:		
Property taxes	3,504,373	3,428,186
Income taxes	485,590	466,997
Unrestricted grants and entitlements	3,780,613	4,367,131
Investment earnings	68,679	43,751
Miscellaneous	20,460	93,967
Premium on refunding bonds sold	-	698,885
Sale of refunding bonds	-	8,520,000
Total cash receipts	10,306,968	20,363,122

Change in Net Cash Position (Continued)

	Governmental Activities 2018	Governmental Activities 2017
Cash disbursements:		
Current:		
Instruction:		
Regular	$ 4,808,695	$ 4,397,871
Special	1,380,894	1,420,107
Vocational	11,665	1,963
Other	23,891	9,246
Support services:		
Pupil	439,107	383,339
Instructional staff	211,536	198,868
Board of education	63,028	22,871
Administration	601,164	573,105
Fiscal	330,019	307,202
Operations and maintenance	1,246,406	657,789
Pupil transportation	296,103	423,521
Central	14,696	25,327
Operation of non-instructional services:		
Food service operations	362,935	322,331
Extracurricular activities	547,098	516,858
Facilities acquisition and construction	50,304	842,741
Debt service:		
Principal retirement	399,000	390,000
Interest and fiscal charges	695,717	1,345,166
Payment to refunded bond escrow agent	-	8,952,894
Bond issuance costs	-	265,991
Total cash disbursements	11,482,258	21,057,190
Change in net cash position	(1,175,290)	(694,068)
Net cash position at beginning of year, *(Restated)*	6,527,115	7,621,183
Net cash position at end of year	$ 5,351,825	$ 6,927,115

Governmental Activities

Net cash position of the District's governmental activities decreased $1,175,290. Total governmental cash disbursements of $11,482,258 were offset by program cash receipts of $2,447,253 and general cash receipts of $7,859,715. Program cash receipts supported 21.31% of the total governmental cash disbursements. The largest cash disbursement category of the District is for instructional programs, which totaled $6,225,145.

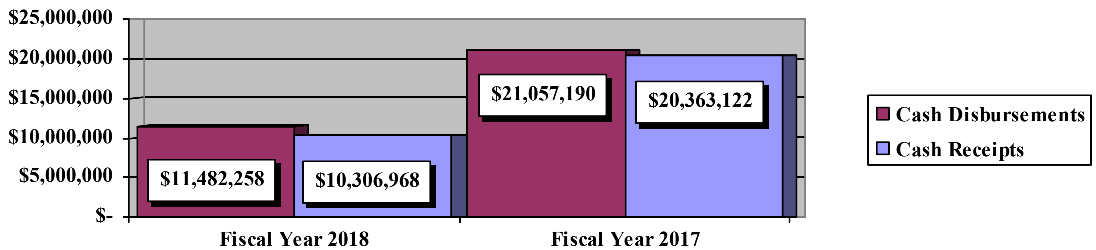
HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The primary sources of cash receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These cash receipt sources represent 74.67% 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 2017 and 2018.

Governmental Activities - Cash Receipts and Cash Disbursements



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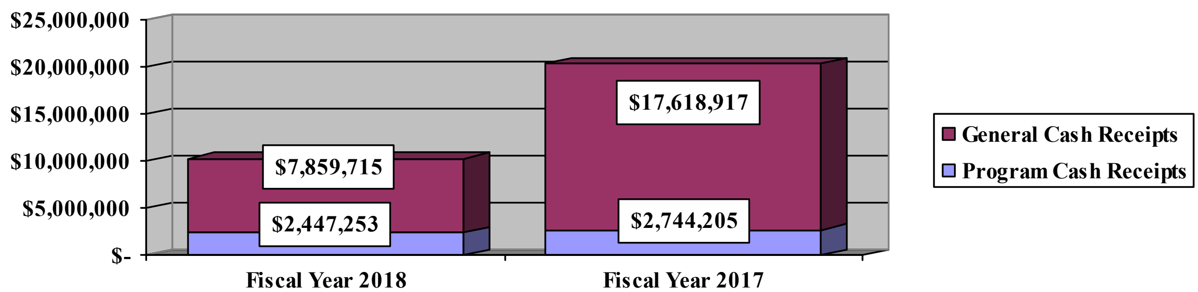
The table below presents the District's total cost of services and net cost of services for fiscal years 2018 and 2017.

	Governmental Activities			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Cash disbursements:				
Instruction:				
Regular	$ 4,808,695	$ 3,391,738	$ 4,397,871	$ 3,007,921
Special	1,380,894	1,043,279	1,420,107	787,570
Vocational	11,665	7,196	1,963	(2,121)
Other	23,891	23,891	9,246	9,246
Support services:				
Pupil	439,107	432,117	383,339	330,580
Instructional staff	211,536	207,936	198,868	195,268
Board of education	63,028	63,028	22,871	22,871
Administration	601,164	599,007	573,105	572,376
Fiscal	330,019	330,019	307,202	307,202
Operations and maintenance	1,246,406	1,232,791	657,789	654,326
Pupil transportation	296,103	281,314	423,521	402,223
Central	14,696	14,696	25,327	25,327
Operation of non-instructional services:				
Food service operations	362,935	63,349	322,331	10,413
Extracurricular activities	547,098	199,623	516,858	192,991
Facilities acquisition and construction	50,304	50,304	842,741	842,741
Debt service:				
Principal retirement	399,000	399,000	390,000	390,000
Interest and fiscal charges	695,717	695,717	1,345,166	1,345,166
Payment to refunded bond escrow agent	-	-	8,952,894	8,952,894
Bond issuance costs	-	-	265,991	265,991
Total	$ 11,482,258	$ 9,035,005	$ 21,057,190	$ 18,312,985

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 78.68% 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 2018 and 2017.

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 $4,774,856, which is less than last year's total fund cash balance of $6,037,929. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017.

	Fund Cash Balance June 30, 2018	Fund Cash Balance June 30, 2017	Increase/ (Decrease)	Percentage Change
General	$ 3,846,510	$ 4,439,772	$ (593,262)	(13.36) %
Bond retirement	281,422	563,701	(282,279)	(50.08) %
Nonmajor governmental	646,924	1,034,456	(387,532)	(37.46) %
Total	$ 4,774,856	$ 6,037,929	$ (1,263,073)	(20.92) %

General Fund

The District's general fund cash balance decreased $593,262.

The table that follows assists in illustrating the cash receipts of the general fund for fiscal years 2018 and 2017.

	2018 Amount	2017 Amount	Percentage Change
Cash Receipts:			
Taxes	$ 3,520,755	$ 3,423,041	2.85 %
Tuition	1,495,536	1,550,028	(3.52) %
Earnings on investments	65,999	42,958	53.64 %
Intergovernmental	3,650,145	3,637,181	0.36 %
Other receipts	121,694	193,229	(37.02) %
Total	$ 8,854,129	$ 8,846,437	0.09 %

Overall cash receipts of the general fund decreased $7,692 or 0.09%. Earnings on investment increased $23,041 or 53.64% due higher interest rates. Other receipts decreased $71,535 or 37.02% mainly due to a decrease in miscellaneous receipts.

The table that follows assists in illustrating the cash disbursements of the general fund for fiscal years 2018 and 2017.

	2018 Amount	2017 Amount	Percentage Change
Cash Disbursements:			
Instruction	$ 6,100,442	$ 5,765,588	5.81 %
Support services	2,810,037	2,522,492	11.40 %
Extracurricular activities	315,523	312,315	1.03 %
Debt service	-	78,513	(100.00) %
Total	$ 9,226,002	$ 8,678,908	6.30 %

Overall cash disbursements of the general fund increased $547,094 or 6.30%. Debt service disbursements decreased $78,513 or 100% due to a separate bond retirement fund being opened to pay for those services.

Bond Retirement Fund

During fiscal year 2018, the bond retirement fund's fund cash balance decreased $282,279 from $563,701 to $281,422. The District continues to maintain a fund cash balance in the bond retirement fund that is sufficient to support current and future debt service requirements.

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts of $8,640,500 were the same as original budget estimates of $8,640,500. Actual budgetary basis receipts and other financing sources of $8,831,569 were $191,069 greater than the final budget estimates.

The final and original budgetary basis disbursements and other financing uses were $10,000,000 and $10,000,000, respectively. The actual budgetary basis disbursements and other financing uses of $9,487,292 were $512,708 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of $50,304 during fiscal year 2018.

Debt Administration

At June 30, 2018, the District had $13,433,000 in bonds outstanding. Of this total, $425,000 is due within one year and $13,008,000 is due in more than one year. The following table summarizes the general obligation bonds outstanding at June 30, 2018 and June 30, 2017.

	Governmental Activities 2018	Governmental Activities 2017
General obligation bonds	$ 13,433,000	$ 13,832,000

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

Current Financial Related Activities

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

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

The District has communicated to its community that it relies upon its support for the majority of its operations, and will continue to work diligently to plan disbursements, staying carefully within the District's five-year financial plan.

The support of the community was measured in May of 2010 when the voters approved a 5.88 mill levy, and 0.5% income tax for new facilities with the Ohio Facilities Construction Commission. The District built a new 174,000 square foot K-12 building, which opened in the fall of 2014. The last operating levy was passed in 1989. An operating levy was replaced with an emergency levy in 2005. This replacement was for $570,000 and continues to be renewed for five-year periods. Most recently, the emergency levy was renewed on May 6, 2014. This levy is important to the District's financial condition going forward and its commitment to serving its students.
During fiscal year 2015, the District experienced a significant increase in CAUV valuation, which resulted in a substantial increase in property tax receipts. This increase, along with the renewal of the emergency levy, has afforded 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 Ms. Jennifer Hedrick, Treasurer, Hopewell-Loudon Local School District, 290 North County Road #7, Bascom, Ohio 44809-0400.

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HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 4,830,815
Cash with fiscal agent	521,010
Total assets.	5,351,825
Net cash position:	
Restricted for:	
Classroom facilities maintenance	332,700
Debt service.	281,422
Locally funded programs	11,088
State funded programs.	9,281
Federally funded programs	6,251
Extracurricular activities	121,286
Food service operations.	140,715
Unrestricted	4,449,082
Total net cash position	$ 5,351,825

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, 2018

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 4,808,695	$ 1,410,126	$ 6,831	$ (3,391,738)
Special	1,380,894	91,104	246,511	(1,043,279)
Vocational	11,665	-	4,469	(7,196)
Other	23,891	-	-	(23,891)
Support services:				
Pupil	439,107	-	6,990	(432,117)
Instructional staff	211,536	-	3,600	(207,936)
Board of education	63,028	-	-	(63,028)
Administration	601,164	2,157	-	(599,007)
Fiscal	330,019	-	-	(330,019)
Operations and maintenance	1,246,406	1,628	11,987	(1,232,791)
Pupil transportation	296,103	14,789	-	(281,314)
Central	14,696	-	-	(14,696)
Operation of non-instructional services:				
Food service operations	362,935	174,393	125,193	(63,349)
Extracurricular activities	547,098	334,860	12,615	(199,623)
Facilities acquisition and construction	50,304	-	-	(50,304)
Debt service:				
Principal retirement	399,000	-	-	(399,000)
Interest and fiscal charges	695,717	-	-	(695,717)
Totals	$ 11,482,258	$ 2,029,057	$ 418,196	(9,035,005)

General cash receipts:	
Property taxes levied for:	
General purposes	3,035,165
Debt service	469,208
Income taxes levied for:	
General purposes	485,590
Grants and entitlements not restricted to specific programs	3,780,613
Investment earnings	68,679
Miscellaneous	20,460
Total general cash receipts	7,859,715
Change in net cash position	(1,175,290)
Net cash position at beginning of year *(as restated)*	6,527,115
Net cash position at end of year	$ 5,351,825

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, 2018

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 3,846,510	$ 281,422	$ 646,924	$ 4,774,856
Fund cash balances:				
Restricted:				
Debt service	$ -	$ 281,422	$ -	$ 281,422
Classroom facilities maintenance	-	-	332,700	332,700
Food service operations	-	-	140,715	140,715
Special education	-	-	6,251	6,251
Extracurricular activities	-	-	121,286	121,286
Other purposes	-	-	20,369	20,369
Committed:				
Termination benefits	270,154	-	-	270,154
Assigned:				
Student instruction	63,624	-	-	63,624
Student and staff support	63,191	-	-	63,191
Capital improvements	-	-	25,603	25,603
Other purposes	7,948	-	-	7,948
Unassigned	3,441,593	-	-	3,441,593
Total fund cash balances	$ 3,846,510	$ 281,422	$ 646,924	$ 4,774,856

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, 2018

Total governmental fund cash balances	$	4,774,856
Amounts reported for governmental activities on the statement of net position - cash basis are different because:		
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.		576,969
Net position - cash basis of governmental activities	$	5,351,825

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, 2018

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:				
From local sources:				
Property taxes	$ 3,035,165	$ 469,208	$ -	$ 3,504,373
Income taxes.	485,590	-	-	485,590
Tuition.	1,495,536	-	-	1,495,536
Earnings on investments	65,999	-	-	65,999
Charges for services	-	-	174,393	174,393
Extracurricular.	35,969	-	267,809	303,778
Classroom materials and fees	53,722	-	-	53,722
Rental income	1,628	-	-	1,628
Contributions and donations	12,615	-	2,700	15,315
Other local receipts	17,760	-	1,855	19,615
Intergovernmental - state	3,650,145	59,700	35,045	3,744,890
Intergovernmental - federal	-	293,738	145,711	439,449
Total cash receipts	8,854,129	822,646	627,513	10,304,228
Cash disbursements:				
Current:				
Instruction:				
Regular.	4,849,396	-	8,696	4,858,092
Special	1,215,320	-	177,877	1,393,197
Vocational	11,665	-	-	11,665
Other	24,061	-	-	24,061
Support services:				
Pupil	378,658	-	65,000	443,658
Instructional staff	213,636	-	-	213,636
Board of education	63,028	-	-	63,028
Administration	607,216	-	1,991	609,207
Fiscal	322,925	10,208	-	333,133
Operations and maintenance	927,273	-	321,986	1,249,259
Pupil transportation	282,605	-	13,652	296,257
Central	14,696	-	-	14,696
Operation of non-instructional services:				
Food service operations	-	-	365,353	365,353
Extracurricular activities	315,523	-	231,575	547,098
Facilities acquisition and construction.	-	-	50,304	50,304
Debt service:				
Principal retirement.	-	399,000	-	399,000
Interest and fiscal charges	-	695,717	-	695,717
Total cash disbursements	9,226,002	1,104,925	1,236,434	11,567,361
Deficiency of cash receipts under cash disbursements	(371,873)	(282,279)	(608,921)	(1,263,073)
Other financing sources (uses):				
Transfers in.	-	-	6,980	6,980
Transfers (out)	(6,980)	-	-	(6,980)
Advances in	30,600	-	245,009	275,609
Advances (out)	(245,009)	-	(30,600)	(275,609)
Total other financing sources (uses)	(221,389)	-	221,389	-
Net change in fund cash balances	(593,262)	(282,279)	(387,532)	(1,263,073)
Fund cash balances at beginning of year *(as restated)*	4,439,772	563,701	1,034,456	6,037,929
Fund cash balances at end of year	$ 3,846,510	$ 281,422	$ 646,924	$ 4,774,856

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, 2018

Net change in fund balances - cash basis - total governmental funds	$	(1,263,073)
Amounts reported for governmental activities in the statement of activities - cash basis are different because:		
An internal service fund for self-insurance is not reported in the district-wide statement of activities - cash basis. Governmental fund cash disbursements and the related internal service fund cash receipts are eliminated. The net cash receipts (cash disbursements) of the internal service fund are allocated among the governmental activities.		87,783
Change in net cash position of governmental activities	$	(1,175,290)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Budgetary basis receipts:				
From local sources:				
Property taxes	$ 2,979,824	$ 2,979,824	$ 3,035,165	$ 55,341
Income taxes.	476,736	476,736	485,590	8,854
Tuition.	1,468,268	1,468,268	1,495,536	27,268
Earnings on investments	64,796	64,796	65,999	1,203
Classroom materials and fees	48,633	48,633	49,536	903
Rental income	1,598	1,598	1,628	30
Other local receipts	17,053	17,053	17,370	317
Intergovernmental - state	3,583,592	3,583,592	3,650,145	66,553
Total budgetary basis receipts.	8,640,500	8,640,500	8,800,969	160,469
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,379,222	5,379,222	4,884,957	494,265
Special.	1,215,812	1,215,812	1,215,349	463
Vocational.	23,995	23,995	22,656	1,339
Other.	23,954	23,954	24,061	(107)
Support services:				
Pupil.	376,624	376,624	378,658	(2,034)
Instructional staff	215,726	215,726	214,078	1,648
Board of education	63,531	63,531	63,028	503
Administration.	601,545	601,545	607,679	(6,134)
Fiscal	324,040	324,040	325,425	(1,385)
Operations and maintenance.	962,823	962,823	932,175	30,648
Pupil transportation	290,969	290,969	291,913	(944)
Central.	14,696	14,696	14,696	-
Extracurricular activities.	255,074	255,074	260,628	(5,554)
Total budgetary basis disbursements.	9,748,011	9,748,011	9,235,303	512,708
Deficiency of budgetary basis receipts under budgetary basis disbursements.	(1,107,511)	(1,107,511)	(434,334)	673,177
Other financing sources (uses):				
Transfers (out).	(6,980)	(6,980)	(6,980)	-
Advances in.	-	-	30,600	30,600
Advances (out)	(245,009)	(245,009)	(245,009)	-
Total other financing uses	(251,989)	(251,989)	(221,389)	30,600
Net change in fund cash balance	(1,359,500)	(1,359,500)	(655,723)	703,777
Fund cash balance at beginning of year	3,940,565	3,940,565	3,940,565	-
Prior year encumbrances appropriated	156,751	156,751	156,751	-
Fund cash balance at end of year	$ 2,737,816	$ 2,737,816	$ 3,441,593	$ 703,777

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, 2018

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and investments . . .	$ 55,959
Cash with fiscal agent	521,010
Total assets.	576,969
Net cash position:	
Unrestricted.	576,969
Total net cash position	$ 576,969

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Operating cash receipts:	
Charges for services	$ 1,262,000
Operating cash disbursements:	
Purchased services.	339,733
Claims	837,164
Total operating cash disbursements	1,176,897
Operating income.	85,103
Nonoperating cash receipts:	
Earnings on investments	2,680
Change in net cash position	87,783
Net cash position at beginning of year. .	489,186
Net cash position at end of year	$ 576,969

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, 2018

	Private-Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and investments	$ 45,463	$ 97,195
Net cash position:		
Due to students	$ -	$ 84,945
Due to others	-	12,250
Held in trust for scholarships	45,463	-
Total net cash position	$ 45,463	$ 97,195

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOPEWELL-LOUDON LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	$ 17,452
Deductions:	
Scholarships awarded	1,205
Change in net cash position.	16,247
Net cash position at beginning of year. . .	29,216
Net cash position at end of year	$ 45,463

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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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 28 non-certified employees, 51 certified employees, and 5 administrators who provide services to 825 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:

<u>JOINTLY GOVERNED ORGANIZATION</u>

<u>Northern Ohio Educational Computer Association (NOECA)</u>
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.

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.

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

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

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

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

E. Cash and Investments

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

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

During fiscal year 2018, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, and negotiable certificates of deposit. In accordance with the cash basis of accounting, all District investments are reported at cost, except for STAR Ohio.

During fiscal year 2018, the District invested in STAR Ohio. 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 2018, 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 $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 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 2018 amounted to $65,999, which includes $19,497 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.

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

I. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

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. Long-Term Obligations

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

L. Fund Cash Balance

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

<u>Nonspendable</u> - 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.

<u>Restricted</u> - 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.

<u>Committed</u> - 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.

<u>Assigned</u> - 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.

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

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.

M. Net Cash Position

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

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

N. Interfund Balances

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

O. Interfund Activity

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have any extraordinary or special items during fiscal year 2018.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 *"Irrevocable Split-Interest Agreements"* GASB Statement No. 85*, "Omnibus 2017"* and GASB Statement No. 86, "*Certain Debt Extinguishments*".

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 12 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Compliance

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	General fund
Budget basis	$ (655,723)
Funds budgeted elsewhere	(30,500)
Adjustment for encumbrances	92,961
Cash basis	$ (593,262)

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

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

4. Bonds and other obligations of the State of Ohio, or legal governments;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

At June 30, 2018, the District had $56,000 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2018 was $521,010.

C. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all School District deposits was $1,105,614. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, $903,279 of the School District's bank balance of $1,353,279 was collateralized by pledged collateral held by a financial institution in the District's name as discussed below, while $450,000 was covered by the FDIC.

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 market 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 market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

D. Investments

As of June 30, 2018, the District had the following investments and maturities:

Investment Type	Carrying Value	Maturity 6 Months or Less
STAR Ohio	$ 3,811,859	$ 3,811,859
Total	$ 3,811,859	$ 3,811,859

The weighted average maturity of investments is 0.03 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its 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 negotiable CD's are fully covered by the FDIC. 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, 2018:

Investment Type	Carrying Value	% to Total
STAR Ohio	$ 3,811,859	100.00
Total	$ 3,811,859	100.00

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

E. 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, 2018:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 1,105,614
Cash on hand	56,000
Cash with fiscal agent	521,010
Investments	3,811,859
Total	$ 5,494,483
Cash and investments per statement of net position	
Governmental activities	$ 5,351,825
Private-purpose trust fund	45,463
Agency fund	97,195
Total	$ 5,494,483

NOTE 6 - INTERFUND TRANSACTIONS

A. Advances in and advances out during fiscal year 2018 consisted of the following, as reported on the fund financial statements:

Advances In	Advances Out	Amount
Nonmajor governmental funds	General fund	$ 245,009
General fund	Nonmajor governmental funds	30,600
Total		$ 275,609

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

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

B. Interfund transfers during fiscal year 2018 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental funds	$ 6,980

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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2019 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 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 129,418,910	95.92	$ 122,016,830	95.14
Public utility personal	5,499,410	4.08	6,227,000	4.86
Total	$ 134,918,320	100.00	$ 128,243,830	100.00
Tax rate per $1,000 of assessed valuation	$ 43.12		$ 43.40	

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 2018 equaled $485,590.

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2018, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding July 1, 2017	Additions	Reductions	Balance Outstanding June 30, 2018	Amounts Due in One Year
Governmental Activities:					
Series 2010 OSFC Bonds	$ 760,000	$ -	$ (60,000)	$ 700,000	$ 70,000
Series 2010 Qualified School Construction Bonds	4,552,000	-	(339,000)	4,213,000	355,000
Series 2016 Refunding OSFC Bonds	4,085,000	-	-	4,085,000	-
Series 2016 Refunding Qualified School Construction Bonds	4,435,000	-	-	4,435,000	-
Total Long-term Obligations, Governmental Activities	$ 13,832,000	$ -	$ (399,000)	$ 13,433,000	$ 425,000

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 2018, the District made a principal payment of $60,000.

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 2018, the District made a principal payment of $339,000.

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.

NOTE 9 - LONG-TERM OBLIGATIONS - (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.

Principal and interest requirements to retire the long-term obligations at June 30, 2018 are as follows:

Fiscal Year Ending	Series 2010 OSFC Bonds			Series 2010 QSCB		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2019	$ 70,000	$ 24,985	$ 94,985	$ 355,000	$ 222,508	$ 577,508
2020	85,000	22,290	107,290	371,000	203,114	574,114
2021	90,000	19,655	109,655	383,000	182,847	565,847
2022	95,000	16,730	111,730	395,000	161,923	556,923
2023	110,000	13,500	123,500	400,000	140,344	540,344
2024 - 2028	250,000	14,250	264,250	2,169,000	361,542	2,530,542
2029 - 2030	-	-	-	140,000	790,000	930,000
Total	$ 700,000	$ 111,410	$ 811,410	$ 4,213,000	$ 2,062,278	$ 6,275,278

Fiscal Year Ending	Series 2016 Refunding OSFC Bonds			Series 2016 Refunding QSCB		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2019	$ -	$ 163,400	$ 163,400	$ -	$ 163,038	$ 163,038
2020	-	163,400	163,400	-	163,038	163,038
2021	-	163,400	163,400	-	163,038	163,038
2022	-	163,400	163,400	-	163,038	163,038
2023	-	163,400	163,400	-	163,038	163,038
2024 - 2028	450,000	791,200	1,241,200	-	815,190	815,190
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	$ 4,085,000	$ 2,631,900	$ 6,716,900	$ 4,435,000	$ 3,572,593	$ 8,007,593

NOTE 9 - LONG-TERM OBLIGATIONS - (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, 2018 and June 30, 2017 are as follows:

	2018	2017
Cash and investments	$ 55,959	$ 57,066
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 Self-Funded Plans, Inc. of Cleveland as their claims administrator. Interfund rates are charged based on claims approved by the claims administrator.

NOTE 10 - RISK MANAGEMENT

A comparison of self-insurance fund cash and investments to the actuary-measured liability as of June 30, 2018 and June 30, 2017 are as follows:

	2018	2017
Cash and investments	$ 521,010	$ 432,120
Actuarial liabilities	n/a	n/a

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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 are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $130,086 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County licensed teachers participate in STRS Ohio, 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 Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 or later.

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $561,935 for fiscal year 2018.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03060300%	0.03272652%	
Proportion of the net pension liability current measurement date	0.03040780%	0.03402424%	
Change in proportionate share	-0.00019520%	0.00129772%	
Proportionate share of the net pension liability	$ 1,816,799	$ 8,082,531	$ 9,899,330

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2017, 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 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent 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, 2015.

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 2,521,245	$ 1,816,799	$ 1,226,682

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	100.00 %	

*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 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 11,586,033	$ 8,082,531	$ 5,131,356

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $16,861.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $21,679 for fiscal year 2018.

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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability 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:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.03086530%	0.03402424%	
Proportion of the net OPEB liability current measurement date	0.03086530%	0.03402424%	
Change in proportionate share	0.00000000%	0.00000000%	
Proportionate share of the net OPEB liability	$ 828,344	$ 1,327,500	$ 2,155,844

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

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 2010 through 2015, and was adopted by the Board on April 21, 2016. 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, 7.50 percent, 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$ 1,000,330	$ 828,344	$ 692,086

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	$ 672,139	$ 828,344	$ 1,035,083

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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 Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent 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 Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 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	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 actual rate of return, without net generate a return above the actual rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$ 1,782,148	$ 1,327,500	$ 968,180

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 922,290	$ 1,327,500	$ 1,860,804

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

The District’s Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the 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, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

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.

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.

	Capital Improvements
Set-aside balance June 30, 2017	$ -
Current year set-aside requirement	150,637
Prior year offset from debt proceeds	(150,637)
Total	$ -
Balance carried forward to fiscal year 2019	$ -
Set-aside balance June 30, 2018	$ -

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 $15,402,497 at June 30, 2018.

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:

Fund	Year End Encumbrances
General fund	$ 94,486
Nonmajor governmental funds	11,828
Total	$ 106,314

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Bond Retirement Fund Balance, July 1, 2017- As previously stated	$ 963,701
Correction of prior year misstatement	(400,000)
Bond Retirement Fund Balance, July 1, 2017- Restated	$ 563,701

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

Members of the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hopewell-Loudon Local School District , Seneca County, (the School District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 6, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-002 to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

School District's Response to Findings

The School District's responses to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
December 6, 2019

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

FINDING NUMBER 2019-001

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.

Client 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, 2019 and 2018 and made the decision that the significant dollars saved, outweighed the benefit received.

FINDING NUMBER 2019-002

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 errors, which were material and resulted in adjustments to the accompanying financial statements and accounting system:

FINDING NUMBER 2019-002
(Continued)

- In fiscal year 2019, the District improperly posted a correcting entry in the Debt Service Fund to recognize interest forgiveness in the form of federal subsidies that occurred in fiscal year 2018. The entry overstated fiscal year 2019 intergovernmental – federal receipts and interest disbursements by $293,895. An adjustment was posted for fiscal year 2019 to reduce intergovernmental – federal receipts and interest disbursements in the Debt Service Fund by this amount, and an adjustment was posted for fiscal year 2018 to increase intergovernmental – federal receipts and interest disbursements in the Debt Service Fund by $293,738, which is the total amount of interest that was forgiven in fiscal year 2018.

- During 2019, the District posted improperly posted interest disbursements of $400,000 in the Debt Service fund, as an effort to correct a prior period misstatement. An adjustment was posted to restate the beginning fund balance in the Debt Service Fund in fiscal year 2018, and an adjustment to decrease interest disbursements in the Debt Service Fund in fiscal year 2019.

Failure to properly post financial activity to the accounting system could result in inaccurate financial statements. Failure to properly classify fund balances on the financial statements could result in improper reporting of available fund balance. Policies and procedures should be developed and implemented to verify that all receipts are posted in correct accounts and fund balances are properly reported in the financial statements.

Officials' Response: There was no response provided for this finding.

HOPEWELL-LOUDON LOCAL SCHOOL DISTRCIT
SENECA COUNTY

Schedule of Prior Audit Findings
June 30, 2019 and 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected. Reissued as finding 2019-001

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OHIO AUDITOR OF STATE
KEITH FABER

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
FEBRUARY 25, 2020