



**Auditor of State
Betty Montgomery**

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Mathews Local School District
4429 Warren-Sharon Road
Vienna, OH 44473

To the Board of Education,

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mathews Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form an opinion on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 21, 2004

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

It is a privilege to present to you the financial picture of Mathews Local School District. Included in these first few paragraphs and tables is the management's view of how our School District is currently performing and how that performance may change in the future. It is intended that this presentation be an objective and easily read analysis of the overall financial condition of our School District. Please consider our comments along with the accompanying financial statements and notes to fully understand our School District's finances.

Financial Highlights

- The School District showed a decrease in net assets of \$92,843 during this fiscal year's operations. Net assets of governmental activities decreased \$78,963 or 2.3 percent while business-type activities showed a decrease in net assets of \$13,880 or 33.4 percent.
- Total District-wide revenues were \$8,394,016. General revenues accounted for \$7,576,118 or 90.3 percent of this total with program revenues accounting for the remainder of \$817,898 or 9.7 percent.
- The School District had \$8,152,854 in expenses related to governmental activities; only \$519,946 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and school foundation) of \$7,576,118 were inadequate to provide funding for these programs resulting in a \$78,963 decrease in net assets.
- The School District's business-type activities demonstrated an increase in revenue of \$8,851 or 3.0 percent. The corresponding expenses also increased by \$5,958 or 1.8 percent.
- The School District added capital assets in the gross amount of \$152,594.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. The *Statement of Net Assets* and the *Statement of Activities* (on pages 15 and 16-17) provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Major fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what funds remain for future spending. Fund financial statements also report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. In the case of Mathews Local School District, the general fund and the permanent improvement fund are the most significant funds.

Reporting the School District as a Whole (District-Wide)

Statement of Net Assets and the Statement of Activities

Analysis of the School District as a whole begins on page 4. One of the most important questions asked when analyzing any business entity is "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting is the method used by most private-sector companies. The most important aspect of accrual accounting is that all of the year's revenues and expenses are reported regardless of when cash is received or paid out.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

These two statements report the net assets of the School District and note any changes in those assets. This change in assets is important because it tells the reader whether, for the School District as a whole, the financial position has improved or deteriorated. However, in evaluating the overall position of the School District, non-financial information such as changes in property values, tax levies, or state funding will also need to be evaluated before a final conclusion about the School District's financial status can be reached.

In the *Statement of Net Assets* and the *Statement of Activities*, we show the School District divided into two kinds of activities:

- **Governmental Activities** – All of the School District's instructional activities are reported here. Property taxes, state, and federal grants and fees finance the majority of activity in this group.
- **Business-Type Activities** – A business-type activity is one in which the Board of Education charges a fee to customers to help it recover some or all of the costs incurred in a program. The School District's school lunch and workbook programs are reported here.

Reporting the School District's Most Significant Funds (Fund Financial Statements)

Analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 18 and provide detailed information about each significant fund in contrast to the previously described district-wide reporting. The School District uses many different funds to account for its financial transactions. The fund financial statements focus on the School District's most significant funds: general fund and permanent improvement capital projects fund.

Governmental Funds – Most of the School District's funds are reported as governmental funds. These reports focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These reports are done on a modified accrual basis. Modified accrual accounting measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed, short-term view of the School District's general government operations and the basic services it provides. There are differences between governmental funds (as reported in this section on a modified accrual basis) and governmental activities as reported in the *Statement of Net Assets* and the *Statement of Activities*, which are reported on a full accrual basis. These differences are reconciled in the financial statements.

Proprietary Funds – The Board of Education charges students for school lunch. The money collected is intended to defray expenses necessary to cook and serve lunch. Each year the Board reviews reports detailing revenues and expenses. The Board then decides whether to raise prices. Another proprietary fund is the uniform supplies fund. Workbooks are purchased through this fund. Students are charged for their workbooks because, unlike a textbook, workbooks cannot be used the next year. Workbooks are "consumed" by the students. It has been the history at the Mathews Local School District for both the school lunch and workbook funds to end the year in a deficit financial position.

The School District as a Whole

Recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of net assets as of June 30, 2003, as compared to June 30, 2002.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 1)
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-----------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Assets | | | | | | |
| Current and Other Assets | 6,768,982 | 6,549,006 | 12,617 | 18,512 | 6,781,599 | 6,567,518 |
| Capital Assets, Net | 3,389,897 | 3,509,202 | 1,831 | 2,231 | 3,391,728 | 3,511,433 |
| <i>Total Assets</i> | <u>10,158,879</u> | <u>10,058,208</u> | <u>14,448</u> | <u>20,743</u> | <u>10,173,327</u> | <u>10,078,951</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 5,364,651 | 5,193,693 | 33,405 | 29,906 | 5,398,056 | 5,223,599 |
| Long Term Liabilities: | | | | | | |
| Due Within One Year | 66,167 | 138,980 | 0 | 0 | 66,167 | 138,980 |
| Due in More than One Year | 1,379,765 | 1,298,276 | 36,455 | 32,369 | 1,416,220 | 1,330,645 |
| <i>Total Liabilities</i> | <u>6,810,583</u> | <u>6,630,949</u> | <u>69,860</u> | <u>62,275</u> | <u>6,880,443</u> | <u>6,693,224</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net Related of Debt | 3,042,526 | 3,097,870 | 1,831 | 2,231 | 3,044,357 | 3,100,101 |
| Restricted: | | | | | | |
| Capital Projects | 173,276 | 139,288 | 0 | 0 | 173,276 | 139,288 |
| Other Purposes | 27,408 | 44,915 | 0 | 0 | 27,408 | 44,915 |
| Unrestricted (Deficit) | 105,086 | 145,186 | (57,243) | (43,763) | 47,843 | 101,423 |
| <i>Total Net Assets (Deficit)</i> | <u>3,348,296</u> | <u>3,427,259</u> | <u>(55,412)</u> | <u>(41,532)</u> | <u>3,292,884</u> | <u>3,385,727</u> |

The School District's total net assets were down from a year ago. Total net assets decreased from \$3,385,727 to \$3,292,884 or a decrease of \$92,843 or 2.7 percent. The reason for this decrease is that while total assets increased by \$94,376, total liabilities increased by \$187,219.

The School District's long-term liabilities showed a net increase of \$12,762 or .87 percent. This increase is due to an increasing severance obligation. The School District's current liabilities increased by \$174,457 or 3.3 percent. This increase is due to increased salary and benefit costs.

Current and other assets increased by \$214,081 or 3.3 percent. This increase is primarily due to an increase in property taxes receivable.

Capital assets were added in the gross amount of \$152,594. Some of this increase is from the renovation of the HVAC systems at Baker and Currie Elementary Schools. Other assets purchased include a bus, textbooks, library books, science equipment, technology equipment and maintenance equipment. To arrive at the net decrease in capital assets of \$119,305 in governmental activities, you must subtract this year's depreciation expense of \$235,555 and also the residual (or undepreciated) value of the disposed equipment of \$36,344 from the \$152,594 added capital assets.

The net assets of the business-type activities decreased by \$13,880. Even with the increases in the price of all ala carte items and milk, the financial health of the food service enterprise deteriorated. The School District management will continue to look for ways to alleviate any negative balances in the future.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 shows the transfers of funds for fiscal year 2003.

(Table 2)
Transfers

| | To Other Governmental Funds | To Business-Type Funds |
|-------------------------------------|--------------------------------|---------------------------|
| Food Service | \$0 | \$20,781 |
| Uniform School Supplies (Workbooks) | 0 | 1,392 |
| Athletic Fund | 95,000 | 0 |
| Total Transfers | \$95,000 | \$22,173 |

The School District transferred \$117,173 from the general fund to other funds so that these funds would end the year in a positive financial position. The funds that received these transfers are listed above.

The School District has regularly made transfers into the food service and uniform supplies funds. Beginning in fiscal year 2000, transfers were added for the athletic fund to offset supplemental salary contracts. Previously these salaries were paid with general fund monies. It is the Board's intention now to pay these salaries out of their respective funds and then transfer in the necessary balance at the fiscal year-end.

Table 3 shows the changes in net assets as of June 30, 2003, as compared to the changes in net assets as of June 30, 2002.

(Table 3)
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$183,644 | \$155,991 | \$203,025 | \$192,231 | \$386,669 | \$348,222 |
| Operating Grants and Contributions | 258,358 | 229,734 | 94,927 | 96,870 | 353,285 | 326,604 |
| Capital Grants and Contributions | 77,944 | 36,758 | 0 | 0 | 77,944 | 36,758 |
| <i>Total Program Revenues</i> | 519,946 | 422,483 | 297,952 | 289,101 | 817,898 | 711,584 |
| General Revenues: | | | | | | |
| Property Taxes | 4,290,992 | 4,314,668 | 0 | 0 | 4,290,992 | 4,314,668 |
| Grant and Entitlements not Restricted to Specific Programs | 3,253,322 | 3,159,970 | 0 | 0 | 3,253,322 | 3,159,970 |
| Other | 31,804 | 47,750 | 0 | 0 | 31,804 | 47,750 |
| Total General Revenues | 7,576,118 | 7,522,388 | 0 | 0 | 7,576,118 | 7,522,388 |
| Transfer In | 0 | 0 | 22,173 | 39,259 | 22,173 | 39,259 |
| <i>Total Revenues and Transfers</i> | 8,096,064 | 7,944,871 | 320,125 | 328,360 | 8,416,189 | 8,273,231 |

(continued)

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 3 continued)
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Program Expenses | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,772,930 | 3,931,486 | 0 | 0 | 3,772,930 | 3,931,486 |
| Special | 750,751 | 630,530 | 0 | 0 | 750,751 | 630,530 |
| Vocational | 150,198 | 175,737 | 0 | 0 | 150,198 | 175,737 |
| Support Services: | | | | | | |
| Pupil | 494,766 | 458,874 | 0 | 0 | 494,766 | 458,874 |
| Instructional Staff | 309,660 | 292,870 | 0 | 0 | 309,660 | 292,870 |
| Board of Education | 118,957 | 85,008 | 0 | 0 | 118,957 | 85,008 |
| Administration | 678,420 | 642,330 | 0 | 0 | 678,420 | 642,330 |
| Fiscal | 250,045 | 253,993 | 0 | 0 | 250,045 | 253,993 |
| Operation and Maintenance of Plant | 814,983 | 883,531 | 0 | 0 | 814,983 | 883,531 |
| Pupil Transportation | 522,096 | 534,824 | 0 | 0 | 522,096 | 534,824 |
| Central | 112,055 | 82,182 | 0 | 0 | 112,055 | 82,182 |
| Extracurricular Activities | 166,240 | 139,940 | 0 | 0 | 166,240 | 139,940 |
| Interest and Fiscal Charges | 11,753 | 1,595 | 0 | 0 | 11,753 | 1,595 |
| Food Service | 0 | 0 | 313,115 | 311,860 | 313,115 | 311,860 |
| Uniform School Supplies | 0 | 0 | 20,890 | 16,187 | 20,890 | 16,187 |
| <i>Total Expenses</i> | <u>8,152,854</u> | <u>8,112,900</u> | <u>334,005</u> | <u>328,047</u> | <u>8,486,859</u> | <u>8,440,947</u> |
| Transfer Out | 22,173 | 39,259 | 0 | 0 | 22,173 | 39,259 |
| <i>Increase (Decrease) in Net Assets</i> | (78,963) | (207,288) | (13,880) | 313 | (92,843) | (206,975) |
| Net Assets Beginning of Year | <u>3,427,259</u> | <u>3,634,547</u> | <u>(41,532)</u> | <u>(41,845)</u> | <u>3,385,727</u> | <u>3,592,702</u> |
| Net Assets End of Year | <u>\$3,348,296</u> | <u>\$3,427,259</u> | <u>(\$55,412)</u> | <u>(\$41,532)</u> | <u>\$3,292,884</u> | <u>\$3,385,727</u> |

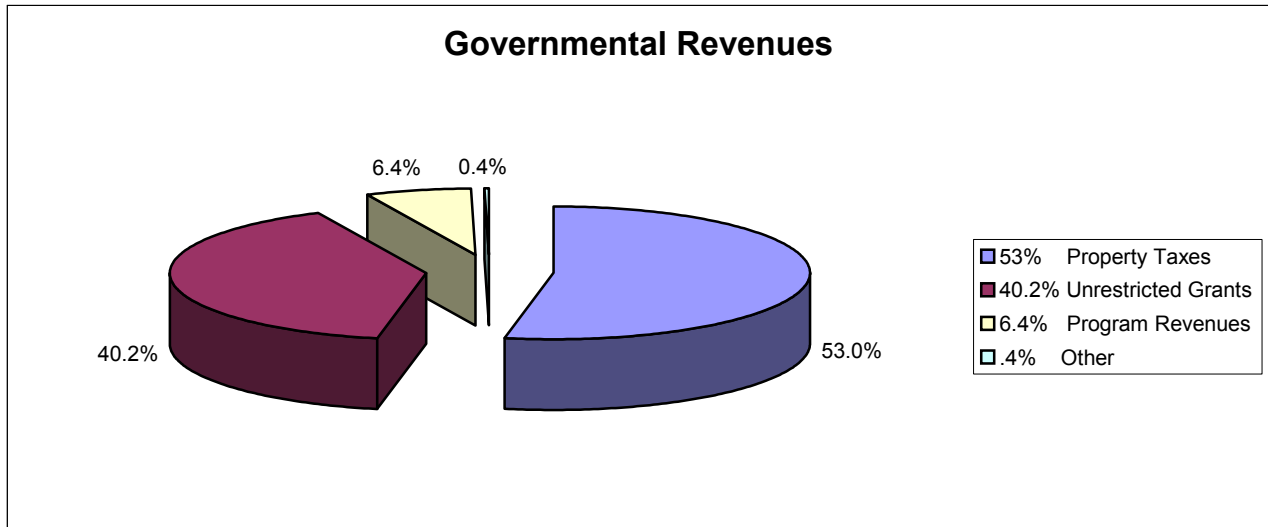
This table highlights the School District's revenues and expenses. The expenses are subtracted from the revenues to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as fees, restricted grants, and charges for services that are program specific. General revenue includes taxes and unrestricted grants such as State Foundation support.

Expenses shown in programs are easily identifiable to a particular function utilizing the current Uniform School Accounting System (USAS) coding structure.

This is the third year the School District has prepared financial statements according to GASB Statement 34, so revenue and expense comparisons to fiscal year 2002 are presented along side the current fiscal year. This comparison will enable the reader to draw further conclusions about the School District's financial status.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

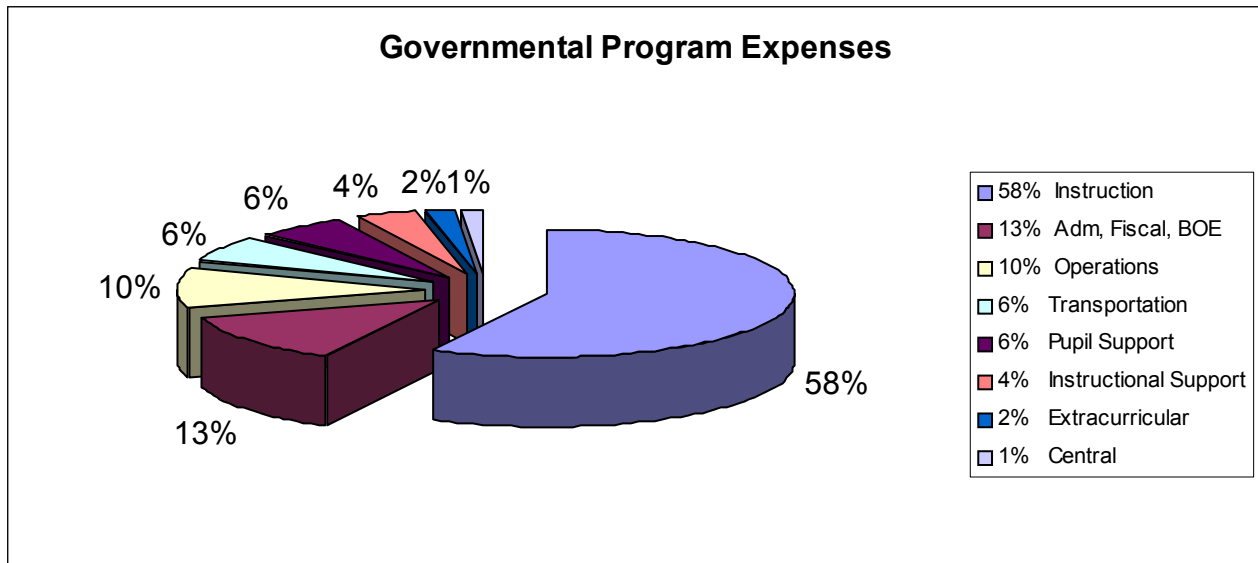


Governmental program revenues increased by \$97,463 or 23 percent over the previous year. Most of this increase can be attributed to receiving more federal funds. General revenues increased by \$53,730 or less than one percent. Using the full accrual accounting method, property tax revenue showed a decrease of \$23,676. Most of this decrease is due to real property tax delinquencies. An increase in unrestricted grants and entitlements of \$93,352 is noted. Most of this increase is due to a reclassification of parity aid to unrestricted revenue by the Ohio Department of Education. A decrease in other general revenue of \$15,946 is due mostly to lower investment income. With the declining market, the School District was unable to get the interest rates it had earned in the previous year and still maintain safe investments.

Program revenues in the business-type activities increased by \$8,851 or 3 percent due to an increase in the sale of lunches and workbooks.

Property taxes made up 53 percent of total revenues for governmental activities while program revenues contributed 6.4 percent of total revenues. The 40.2 percent provided by unrestricted grants and entitlements includes monies received from the Ohio Department of Education State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by House Bill 920 and also the public utility property tax reimbursement. The community, through its willingness to provide property tax revenues, is by far the primary support for Mathews Local School District students.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited



Program expenses increased slightly by \$39,954 or 0.5 percent. The majority of this increase is due to program expenses for special education instruction, which increased by \$120,221. The increase in this program expense is due, in part, to rising salary and benefit costs. Other factors in this increase include elevated costs for educating special education students outside the School District. Another area that had an increase in expenses is the Board of Education. The School District experienced increased legal fees because of a property transfer dispute with the Girard School District.

Program expenses in the business-type activities had a modest increase of \$5,958 or less than two percent. Uniform supplies (workbooks) accounted for \$4,703 of this increase, while food service accounted for only \$1,255 of the increase.

Analysis of Overall Financial Positions and Results of Operations

The financial position of the Mathews Local School District deteriorated slightly over the past fiscal year. Although the District continued to make improvements in services for children by spending more on special instruction and pupil support, it was able to hold its expenses to a 1.9 percent increase.

The financial position of the business-type activities continued to deteriorate even with increasing the price of milk and all a la carte food items.

In Table 4 the total cost of services for the fiscal year ended June 30, 2003, is compared to the total cost of services for the fiscal year ended June 30, 2002. This table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 4)
Governmental Activities

| Programs | Total Cost of Services 2003 | Total Cost of Services 2002 | Net Cost of Services 2003 | Net Cost of Services 2002 |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Instruction | \$4,673,879 | \$4,737,753 | \$4,311,065 | \$4,507,529 |
| Support Services: | | | | |
| Pupils and Instructional Staff | 804,426 | 751,744 | 786,087 | 652,128 |
| Board of Education, Administration and Fiscal Services | 1,047,422 | 981,331 | 1,042,422 | 976,331 |
| Operation and Maintenance of Plant | 814,983 | 883,531 | 757,555 | 883,531 |
| Pupil Transportation | 522,096 | 534,824 | 498,451 | 509,412 |
| Central | 112,055 | 82,182 | 112,055 | 67,795 |
| Extracurricular | 166,240 | 139,940 | 113,520 | 92,096 |
| Interest and Fiscal Charges | 11,753 | 1,595 | 11,753 | 1,595 |
| Total Expenses | \$8,152,854 | \$8,112,900 | \$7,632,908 | \$7,690,417 |

This table discloses an interesting piece of information. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) and local taxes. The difference in these two columns of \$519,946 would represent restricted grants, fees, and donations. The dependence upon general tax revenues for governmental activities is apparent. Over 92 percent of instruction activities (\$4,311,065) is supported through taxes and other general revenues.

The School District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,056,429, an increase of 2.7 percent over the previous year. All governmental funds had total expenditures of \$8,021,240, a decrease of 5.9 percent from the previous year.

General Fund Financial Activity

The most significant governmental fund is the general fund. The balance of the general fund decreased slightly by \$6,997 to \$681,234. Though both State Foundation revenue and tax revenue increased, expenditures exceeded revenue and the balance decreased.

Other Funds Financial Activity

The School District has also received an increase in grant monies from \$248,866 to \$314,375 which is an increase of \$65,509 or 26.3 percent to better provide services to our students. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, property taxes are the largest revenue source, accounting for 52.8 percent of total governmental revenue.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

General Fund Budgetary Highlights

The School 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 forecasted budget presented to the Mathews Local Board of Education in September was amended several times throughout the year. For the general fund, original budgeted revenues were \$7,522,936. The final budgeted revenues were \$7,504,439. The estimate was decreased due to an anticipated decrease in interest revenues. The final estimated revenue was within four-tenths of one percent of the actual revenue of \$7,473,816.

Original budgeted expenditures in the general fund were \$7,689,769. The final budgeted expenditures were \$7,561,410. The decrease in the estimate of \$128,359 was made to get the appropriations in line with the Five Year Forecast in the areas of purchased services and transfers. The final estimated expenditures were within one and six-tenth percent of the actual expenditures of \$7,441,016.

Capital Assets

Table 5 shows the ending balances of capital assets in various categories as of June 30, 2003, compared to the balances as of June 30, 2002.

(Table 5)
Capital Assets at June 30, 2003
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|--------------------|--------------------------|----------------|--------------------|--------------------|
| | 2003 | 2002 | 2002 | 2002 | 2002 | 2002 |
| Land | \$363,767 | \$363,767 | \$0 | \$0 | \$363,767 | \$363,767 |
| Land Improvements | 178,142 | 199,331 | 0 | 0 | 178,142 | 199,331 |
| Buildings and Improvements | 1,683,550 | 1,685,999 | 0 | 0 | 1,683,550 | 1,685,999 |
| Furniture and Equipment | 741,836 | 811,419 | 1,831 | 2,231 | 743,667 | 813,650 |
| Vehicles | 266,114 | 269,906 | 0 | 0 | 266,114 | 269,906 |
| Textbooks and Library Books | 156,488 | 178,780 | 0 | 0 | 156,488 | 178,780 |
| Total | \$3,389,897 | \$3,509,202 | \$1,831 | \$2,231 | \$3,391,728 | \$3,511,433 |

The table shows that the ending balance of capital assets in government activities decreased by \$119,305 or 3 percent. This decrease is caused by the \$235,555 depreciation expense, offset by \$152,594 in acquisitions, and also the \$36,344 carrying value of the retired assets.

The ending balance of capital assets in the business-type activities shows a decrease of \$400 compared to the prior year. This decrease is due the depreciation expense. See Note 13 to the Basic Financial Statements for additional capital asset information.

Debt

At June 30, 2003, the School District had a balance of \$117,371 on its EPA Asbestos Loan. This loan is a twenty-year, interest-free loan. The School District pays \$12,961 annually on this obligation and plans to have it paid in full in 2013. See Note 14 to the Basic Financial Statements for additional debt information.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Current Issues

As the preceding information shows, the School District is heavily reliant on the local property taxpayers. In November 2002, the renewal of the 2.0 mill permanent improvement levy was passed with a 59 percent affirmative vote. The renewal takes effect January 2004 and will generate approximately \$164,000 per year. This revenue will be used for acquiring, constructing, or improving school facilities and school sites. In November 2003, 9.76 replacement and decrease current expense levy was approved by the voters with a 55 percent affirmative vote. This levy replaces the 12.68 mill levy that was approved by the voters in May 1999. It will generate approximately \$1,322,000 per year effective January 2005. The School District does not anticipate placing any new levies on the ballot. It does, however, require passage of an 8.7 mill operating levy in November 2004 if it is to have a secure future.

Tax base growth has also continued over the past year. The total assessed value went from \$123 million in 2002 to \$135.5 million in 2003, an increase of 10 percent. New home construction and the County Auditor's triennial update account for the majority of this increase. Residential property and farms contribute over 78 percent of the School District's real estate valuation.

ATD Corporation filed bankruptcy papers in 1997. To date, the total tax loss to the School District from that bankruptcy is \$467,107. With a bankruptcy settlement, real estate taxes will be paid first. It is anticipated that the School District will recoup some of this lost income in the future.

The County Auditor has valued the new Delphi Automotive Systems plant in Vienna Township. The School District will begin receiving approximately \$26,131 annually in real estate tax revenue from this abated plant beginning in 2004. Additional revenues will be received in the form of personal property taxes.

The Board of Education has increased the price of a full lunch by 10 cents and reduced the food service staff by two five-hour employees for fiscal year 2004. It is hoped that with the increase in revenue and the decrease in expenses, the food service enterprise will become self-supporting.

The Mathews Local School District became a "guarantee" school district in fiscal year 2000. A guarantee district receives additional State Foundation aid on top of the current year's calculated amount to bring the School District up to the fiscal year 1998 funding level. The current year's calculated amount of State aid is based on the number of pupils times the per pupil amount times the State share. The State share is determined by the property valuation of the School District. A higher property valuation equals a lower State share. Because Mathews Local School District student population has declined since 1999 and the property value of the School District has risen, the calculated amount of State aid has also declined. The Ohio Department of Education estimates that the School District will receive \$255,390 in additional State aid in 2004 due to the guarantee. The State legislature decides with every biennial budget whether they will continue the guarantee. The discontinuance of the guarantee would have an unfavorable impact on the School District's finances in the future.

The Mathews Local School District has four aging buildings. The Ohio School Facilities Commission currently ranks Mathews 428 out of 613 districts in the State to receive classroom facilities funds. In other words, 428 school districts will receive funds before Mathews Local School District does. This ranking is based on property tax valuation per pupil. Because of this ranking, it is not anticipated that the School District will receive any construction funds from the State of Ohio until 2008 at the earliest. The Ohio School Facilities Commission determined the local share of the Mathews Local School District taxpayers to be 65 percent with the State of Ohio contributing 35 percent to any new or remodeled facilities when Mathews Local School District was ranked 392 out of 613.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Since the School District is not eligible for the Classroom Facilities Assistance Program within two years, the School District has applied for and been approved to participate in the School Building Assistance Expedited Local Partnership Program. By having already adopted the State's master plan, the School District qualifies for the 35 percent reimbursement when the State reaches schools in that range. Under the "Expedited" program, the School District can apply the expenditure of local resources for the construction of classroom facilities or major repairs toward the School District's portion required when the School District becomes eligible for such State assistance.

Retirement of employees can have a large impact on all school districts. School districts pay much higher wages to employees with a large number of years of service. The School District can save as much as \$35,000 per year on each retired certified employee replaced with a new, less-experienced certified employee. Some of that savings is negated due to severance benefits, but still a sizeable savings can be realized. The School District has 17 certified and 10 classified employees nearing retirement. These retirements will have a favorable impact on the School District's finances in the future

Insurance premiums for property, fleet, and liability have increased and health care insurance continues to be a source of concern. The health care consortium to which the School District belongs has decided to hold premiums steady after a 40 percent increase January 2002. Health care cost containment has become a large issue for the future. The School District is currently seeking alternative sources of benefits and alternative benefit plans to offset anticipated increases in premiums.

Another rising cost to the School District is its special education expenditures. The School District has a contract for special education services with the Trumbull County Educational Service Center. The School District was notified in September 2003 that its expenditures for fiscal year 2003 were \$17,548 higher than anticipated. In that regard, the contract for special education services for fiscal year 2004 has been increased by \$30,400. The combination of these two increases results in the School District's special education expenditure for fiscal year 2004 to be at least \$84,292 more than the previous year.

The School District realizes that prudent management will be necessary in order to continue to provide the resources necessary to meet student needs while diligently controlling the increasing expenditures in salaries, benefits, and special education.

Contacting the School District's Financial Management

These financial reports and discussions are designed to provide our students, citizens, taxpayers, investors, and creditors with a complete disclosure of the School District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have any questions about this report or need additional financial information, please write Teri S. Andrika, Treasurer, Mathews Local School District, 4434-B Warren-Sharon Rd., Vienna, Ohio 44473 or call (330) 394-1800 or Email teri.andrika@neomin.org.

Basic Financial Statements

Mathews Local School District*Statement of Net Assets**June 30, 2003*

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,606,015 | \$2,526 | \$1,608,541 |
| Accounts Receivable | 2,759 | 0 | 2,759 |
| Intergovernmental Receivable | 8,716 | 29 | 8,745 |
| Accrued Interest Receivable | 2,769 | 0 | 2,769 |
| Prepaid Items | 118,351 | 2,520 | 120,871 |
| Inventory Held for Resale | 0 | 6,450 | 6,450 |
| Materials and Supplies Inventory | 20,608 | 1,092 | 21,700 |
| Taxes Receivable | 5,009,764 | 0 | 5,009,764 |
| Nondepreciable Capital Assets | 363,767 | 0 | 363,767 |
| Depreciable Capital Assets, Net | 3,026,130 | 1,831 | 3,027,961 |
| <i>Total Assets</i> | <u>10,158,879</u> | <u>14,448</u> | <u>10,173,327</u> |
| Liabilities | | | |
| Accounts Payable | 43,929 | 0 | 43,929 |
| Accrued Wages Payable | 636,440 | 17,853 | 654,293 |
| Matured Compensated Absences Payable | 110,015 | 0 | 110,015 |
| Retainage Payable | 460 | 0 | 460 |
| Intergovernmental Payable | 198,501 | 15,552 | 214,053 |
| Deferred Revenue | 4,375,306 | 0 | 4,375,306 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 66,167 | 0 | 66,167 |
| Due In More Than One Year | 1,379,765 | 36,455 | 1,416,220 |
| <i>Total Liabilities</i> | <u>6,810,583</u> | <u>69,860</u> | <u>6,880,443</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 3,042,526 | 1,831 | 3,044,357 |
| Restricted for: | | | |
| Capital Projects | 173,276 | 0 | 173,276 |
| Other Purposes | 27,408 | 0 | 27,408 |
| Unrestricted (Deficit) | 105,086 | (57,243) | 47,843 |
| <i>Total Net Assets (Deficit)</i> | <u>\$3,348,296</u> | <u>(\$55,412)</u> | <u>\$3,292,884</u> |

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

| | Program Revenues | | | |
|---------------------------------------|---------------------------|-------------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$3,772,930 | \$39,457 | \$25,229 | \$0 |
| Special | 750,751 | 80,155 | 217,973 | 0 |
| Vocational | 150,198 | 0 | 0 | 0 |
| Support Services: | | | | |
| Pupil | 494,766 | 0 | 6,865 | 0 |
| Instructional Staff | 309,660 | 8,183 | 3,291 | 0 |
| Board of Education | 118,957 | 0 | 0 | 0 |
| Administration | 678,420 | 0 | 5,000 | 0 |
| Fiscal | 250,045 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 814,983 | 0 | 0 | 57,428 |
| Pupil Transportation | 522,096 | 3,129 | 0 | 20,516 |
| Central | 112,055 | 0 | 0 | 0 |
| Extracurricular Activities | 166,240 | 52,720 | 0 | 0 |
| Interest and Fiscal Charges | 11,753 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>8,152,854</u> | <u>183,644</u> | <u>258,358</u> | <u>77,944</u> |
| Business-Type Activities | | | | |
| Food Service | 313,115 | 183,498 | 94,927 | 0 |
| Uniform School Supplies | 20,890 | 19,527 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>334,005</u> | <u>203,025</u> | <u>94,927</u> | <u>0</u> |
| <i>Totals</i> | <u><u>\$8,486,859</u></u> | <u><u>\$386,669</u></u> | <u><u>\$353,285</u></u> | <u><u>\$77,944</u></u> |

General Revenues

Property Taxes Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Deficit)

Net Assets End of Year (Deficit)

See accompanying notes to the basic financial statements

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|---------------|
| Governmental Activities | Business-Type Activities | Total |
| (\$3,708,244) | \$0 | (\$3,708,244) |
| (452,623) | 0 | (452,623) |
| (150,198) | 0 | (150,198) |
| (487,901) | 0 | (487,901) |
| (298,186) | 0 | (298,186) |
| (118,957) | 0 | (118,957) |
| (673,420) | 0 | (673,420) |
| (250,045) | 0 | (250,045) |
| (757,555) | 0 | (757,555) |
| (498,451) | 0 | (498,451) |
| (112,055) | 0 | (112,055) |
| (113,520) | 0 | (113,520) |
| (11,753) | 0 | (11,753) |
| (7,632,908) | 0 | (7,632,908) |
| 0 | (34,690) | (34,690) |
| 0 | (1,363) | (1,363) |
| 0 | (36,053) | (36,053) |
| (7,632,908) | (36,053) | (7,668,961) |
| 4,146,851 | 0 | 4,146,851 |
| 144,141 | 0 | 144,141 |
| 3,253,322 | 0 | 3,253,322 |
| 31,404 | 0 | 31,404 |
| 400 | 0 | 400 |
| 7,576,118 | 0 | 7,576,118 |
| (22,173) | 22,173 | 0 |
| 7,553,945 | 22,173 | 7,576,118 |
| (78,963) | (13,880) | (92,843) |
| 3,427,259 | (41,532) | 3,385,727 |
| \$3,348,296 | (\$55,412) | \$3,292,884 |

Mathews Local School District*Balance Sheet**Governmental Funds**June 30, 2003*

| | General | Permanent Improvement Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and | | | | |
| Cash Equivalents | \$1,383,948 | \$109,209 | \$92,342 | \$1,585,499 |
| Accrued Interest Receivable | 2,769 | 0 | 0 | 2,769 |
| Accounts Receivable | 2,759 | 0 | 0 | 2,759 |
| Intergovernmental Receivable | 8,716 | 0 | 0 | 8,716 |
| Materials and Supplies Inventory | 20,608 | 0 | 0 | 20,608 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and | | | | |
| Cash Equivalents | 20,516 | 0 | 0 | 20,516 |
| Taxes Receivable | 4,841,221 | 168,543 | 0 | 5,009,764 |
| Prepaid Items | 116,673 | 0 | 1,678 | 118,351 |
| <i>Total Assets</i> | <u>\$6,397,210</u> | <u>\$277,752</u> | <u>\$94,020</u> | <u>\$6,768,982</u> |
| Liabilities and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts Payable | \$30,507 | \$5,271 | \$8,151 | \$43,929 |
| Accrued Wages Payable | 631,091 | 0 | 5,349 | 636,440 |
| Matured Compensated Absences Payable | 110,015 | 0 | 0 | 110,015 |
| Intergovernmental Payable | 137,856 | 332 | 1,480 | 139,668 |
| Retainage Payable | 0 | 460 | 0 | 460 |
| Deferred Revenue | 4,806,507 | 167,469 | 0 | 4,973,976 |
| <i>Total Liabilities</i> | <u>5,715,976</u> | <u>173,532</u> | <u>14,980</u> | <u>5,904,488</u> |
| Fund Balances | | | | |
| Reserved for Encumbrances | 45,142 | 15,989 | 19,653 | 80,784 |
| Reserved for Bus Purchase | 20,516 | 0 | 0 | 20,516 |
| Reserved for Property Taxes | 34,714 | 1,074 | 0 | 35,788 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 580,862 | 0 | 0 | 580,862 |
| Special Revenue Funds | 0 | 0 | 25,559 | 25,559 |
| Capital Projects Funds | 0 | 87,157 | 33,828 | 120,985 |
| <i>Total Fund Balances</i> | <u>681,234</u> | <u>104,220</u> | <u>79,040</u> | <u>864,494</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$6,397,210</u> | <u>\$277,752</u> | <u>\$94,020</u> | <u>\$6,768,982</u> |

See accompanying notes to the basic financial statements

Mathews Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances \$864,494

*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds 3,389,897

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds. 598,670

Due to other governments includes contractually required
 pension contributions not expected to be paid with
 expendable available financial resources and therefore
 not reported in the funds. (58,833)

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

| | |
|----------------------|------------------|
| Compensated Absences | (1,098,561) |
| Asbestos Loan | (117,371) |
| Capital Leases | <u>(230,000)</u> |

Total (1,445,932)

Net Assets of Governmental Activities \$3,348,296

See accompanying notes to the basic financial statements

Mathews Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2003

| | General | Permanent Improvement Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|------------------|--|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$4,104,220 | \$145,697 | \$0 | \$4,249,917 |
| Intergovernmental | 3,255,599 | 18,239 | 314,375 | 3,588,213 |
| Interest | 31,404 | 0 | 0 | 31,404 |
| Tuition and Fees | 80,155 | 0 | 0 | 80,155 |
| Extracurricular Activities | 0 | 0 | 103,489 | 103,489 |
| Contributions and Donations | 2,851 | 0 | 0 | 2,851 |
| Miscellaneous | 400 | 0 | 0 | 400 |
| <i>Total Revenues</i> | <u>7,474,629</u> | <u>163,936</u> | <u>417,864</u> | <u>8,056,429</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,563,421 | 0 | 63,818 | 3,627,239 |
| Special | 524,632 | 0 | 219,368 | 744,000 |
| Vocational | 160,194 | 0 | 0 | 160,194 |
| Support Services: | | | | |
| Pupil | 483,548 | 0 | 4,016 | 487,564 |
| Instructional Staff | 272,258 | 0 | 15,479 | 287,737 |
| Board of Education | 118,957 | 0 | 0 | 118,957 |
| Administration | 646,893 | 0 | 0 | 646,893 |
| Fiscal | 240,742 | 0 | 0 | 240,742 |
| Operation and Maintenance of Plant | 762,104 | 0 | 5,796 | 767,900 |
| Pupil Transportation | 504,568 | 0 | 3,054 | 507,622 |
| Central | 87,136 | 0 | 5,014 | 92,150 |
| Extracurricular Activities | 0 | 0 | 160,754 | 160,754 |
| Capital Outlay | 0 | 89,387 | 14,387 | 103,774 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 63,961 | 0 | 63,961 |
| Interest and Fiscal Charges | 0 | 11,753 | 0 | 11,753 |
| <i>Total Expenditures</i> | <u>7,364,453</u> | <u>165,101</u> | <u>491,686</u> | <u>8,021,240</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>110,176</u> | <u>(1,165)</u> | <u>(73,822)</u> | <u>35,189</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 0 | 0 | 95,000 | 95,000 |
| Transfers Out | (117,173) | 0 | 0 | (117,173) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(117,173)</u> | <u>0</u> | <u>95,000</u> | <u>(22,173)</u> |
| <i>Net Change in Fund Balances</i> | (6,997) | (1,165) | 21,178 | 13,016 |
| <i>Fund Balances Beginning of Year</i> | <u>688,231</u> | <u>105,385</u> | <u>57,862</u> | <u>851,478</u> |
| <i>Fund Balances End of Year</i> | <u>\$681,234</u> | <u>\$104,220</u> | <u>\$79,040</u> | <u>\$864,494</u> |

See accompanying notes to the basic financial statements

Mathews Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds \$13,016

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

| | |
|----------------|------------------|
| Capital Outlay | 152,594 |
| Depreciation | <u>(235,555)</u> |

| | |
|-------|----------|
| Total | (82,961) |
|-------|----------|

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (36,344)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|------------------|----------------|
| Property Tax | 41,075 |
| Operating Grants | <u>(1,440)</u> |

| | |
|-------|--------|
| Total | 39,635 |
|-------|--------|

Repayment of the asbestos loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 63,961

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | |
|----------------------|----------------|
| Compensated Absences | (72,637) |
| Pension Obligation | <u>(3,633)</u> |

| | |
|-------|-----------------|
| Total | <u>(76,270)</u> |
|-------|-----------------|

| | |
|--|--------------------------|
| <i>Change in Net Assets of Governmental Activities</i> | <u><u>(\$78,963)</u></u> |
|--|--------------------------|

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Fiscal Year Ended June 30, 2003

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Taxes | \$4,113,010 | \$4,113,080 | \$4,114,582 | \$1,502 |
| Intergovernmental | 3,272,869 | 3,274,002 | 3,246,883 | (27,119) |
| Interest | 50,000 | 32,000 | 30,008 | (1,992) |
| Tuition and Fees | 85,357 | 82,357 | 80,207 | (2,150) |
| Contributions and Donations | 1,200 | 1,200 | 151 | (1,049) |
| Miscellaneous | 500 | 1,800 | 1,985 | 185 |
| <i>Total Revenues</i> | <u>7,522,936</u> | <u>7,504,439</u> | <u>7,473,816</u> | <u>(30,623)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,678,967 | 3,616,283 | 3,573,930 | 42,353 |
| Special | 536,681 | 527,566 | 519,349 | 8,217 |
| Vocational | 167,391 | 164,640 | 163,715 | 925 |
| Support Services: | | | | |
| Pupil | 488,054 | 479,784 | 479,258 | 526 |
| Instructional Staff | 275,551 | 270,981 | 270,103 | 878 |
| Board of Education | 146,530 | 144,353 | 141,868 | 2,485 |
| Administration | 658,469 | 647,337 | 646,638 | 699 |
| Fiscal | 255,624 | 251,401 | 248,814 | 2,587 |
| Operation and Maintenance of Plant | 870,604 | 856,610 | 806,787 | 49,823 |
| Pupil Transportation | 518,129 | 510,281 | 502,572 | 7,709 |
| Central | 93,769 | 92,174 | 87,982 | 4,192 |
| <i>Total Expenditures</i> | <u>7,689,769</u> | <u>7,561,410</u> | <u>7,441,016</u> | <u>120,394</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (166,833) | (56,971) | 32,800 | 89,771 |
| Other Financing Uses | | | | |
| Transfers Out | (117,227) | (117,227) | (117,173) | 54 |
| <i>Net Change in Fund Balance</i> | (284,060) | (174,198) | (84,373) | 89,825 |
| <i>Fund Balance Beginning of Year</i> | 1,259,963 | 1,259,963 | 1,259,963 | 0 |
| Prior Year Encumbrances Appropriated | 155,719 | 155,719 | 155,719 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$1,131,622</u> | <u>\$1,241,484</u> | <u>\$1,331,309</u> | <u>\$89,825</u> |

See accompanying notes to the basic financial statements

Mathews Local School District

Statement of Fund Net Assets

Enterprise Funds

June 30, 2003

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|--------------------|--------------------------|
| | <u>Food</u> | <u>Uniform</u> | |
| Assets | <u>Service</u> | <u>School</u> | <u>Total</u> |
| | | <u>Supplies</u> | |
| <i>Current Assets</i> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,526 | \$0 | \$2,526 |
| Intergovernmental Receivable | 0 | 29 | 29 |
| Prepaid Items | 2,520 | 0 | 2,520 |
| Inventory Held for Resale | 6,450 | 0 | 6,450 |
| Materials and Supplies Inventory | 1,092 | 0 | 1,092 |
| <i>Total Current Assets</i> | <u>12,588</u> | <u>29</u> | <u>12,617</u> |
| <i>Noncurrent Assets</i> | | | |
| Capital Assets, Net | <u>1,831</u> | <u>0</u> | <u>1,831</u> |
| <i>Total Assets</i> | <u>14,419</u> | <u>29</u> | <u>14,448</u> |
| Liabilities | | | |
| <i>Current Liabilities</i> | | | |
| Accrued Wages Payable | 17,853 | 0 | 17,853 |
| Intergovernmental Payable | <u>15,552</u> | <u>0</u> | <u>15,552</u> |
| <i>Total Current Liabilities</i> | <u>33,405</u> | <u>0</u> | <u>33,405</u> |
| <i>Long-Term Liabilities</i> | | | |
| Compensated Absences Payable | <u>36,455</u> | <u>0</u> | <u>36,455</u> |
| <i>Total Liabilities</i> | <u>69,860</u> | <u>0</u> | <u>69,860</u> |
| Net Assets | | | |
| Invested in Capital Assets | 1,831 | 0 | 1,831 |
| Unrestricted (Deficit) | <u>(57,272)</u> | <u>29</u> | <u>(57,243)</u> |
| <i>Total Net Assets (Deficit)</i> | <u><u>(\$55,441)</u></u> | <u><u>\$29</u></u> | <u><u>(\$55,412)</u></u> |

See accompanying notes to the basic financial statements

Mathews Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2003*

| | Business-Type Activities - Enterprise Funds | | |
|---|---|-------------------------------|--------------------------|
| | Food Service | Uniform School Supplies | Total |
| Operating Revenues | | | |
| Sales | \$180,446 | \$19,498 | \$199,944 |
| Miscellaneous | 3,052 | 29 | 3,081 |
| <i>Total Operating Revenues</i> | <u>183,498</u> | <u>19,527</u> | <u>203,025</u> |
| Operating Expenses | | | |
| Salaries | 136,019 | 0 | 136,019 |
| Fringe Benefits | 50,074 | 0 | 50,074 |
| Purchased Services | 1,420 | 0 | 1,420 |
| Materials and Supplies | 1,153 | 5,292 | 6,445 |
| Cost of Sales | 124,049 | 15,598 | 139,647 |
| Depreciation | 400 | 0 | 400 |
| <i>Total Operating Expenses</i> | <u>313,115</u> | <u>20,890</u> | <u>334,005</u> |
| <i>Operating Loss</i> | <u>(129,617)</u> | <u>(1,363)</u> | <u>(130,980)</u> |
| Non-Operating Revenues | | | |
| Federal Donated Commodities | 25,384 | 0 | 25,384 |
| Operating Grants | 69,543 | 0 | 69,543 |
| <i>Total Non-Operating Revenues</i> | <u>94,927</u> | <u>0</u> | <u>94,927</u> |
| <i>Loss Before Operating Transfers</i> | <u>(34,690)</u> | <u>(1,363)</u> | <u>(36,053)</u> |
| Transfers In | 20,781 | 1,392 | 22,173 |
| <i>Change in Net Assets</i> | <u>(13,909)</u> | <u>29</u> | <u>(13,880)</u> |
| <i>Net Assets (Deficit) Beginning of Year</i> | <u>(41,532)</u> | <u>0</u> | <u>(41,532)</u> |
| <i>Net Assets (Deficit) End of Year</i> | <u><u>(\$55,441)</u></u> | <u><u>\$29</u></u> | <u><u>(\$55,412)</u></u> |

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2003

| | Business-Type Activities - Enterprise Funds | | |
|--|---|-------------------------------|-----------------------|
| | Food Service | Uniform School Supplies | Total |
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | | |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$180,446 | \$19,498 | \$199,944 |
| Cash Received from Other Operating Revenues | 3,052 | 0 | 3,052 |
| Cash Payments to Suppliers for Goods and Services | (101,694) | (20,890) | (122,584) |
| Cash Payments to Employees for Services | (128,066) | 0 | (128,066) |
| Cash Payments for Employees Benefits | (50,074) | 0 | (50,074) |
| <i>Net Cash Used for Operating Activities</i> | <u>(96,336)</u> | <u>(1,392)</u> | <u>(97,728)</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Grants Received | 78,081 | 0 | 78,081 |
| Transfers In | 20,781 | 1,392 | 22,173 |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <u>98,862</u> | <u>1,392</u> | <u>100,254</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 2,526 | 0 | 2,526 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$2,526</u></u> | <u><u>\$0</u></u> | <u><u>\$2,526</u></u> |

(continued)

Mathews Local School District
Statement of Cash Flows
Enterprise Funds (continued)
For the Fiscal Year Ended June 30, 2003

| | Business-Type Activities - Enterprise Funds | | |
|--|---|-------------------------------|-------------|
| | Food Service | Uniform School Supplies | Total |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | | | |
| <i>Operating Loss</i> | (\$129,617) | (\$1,363) | (\$130,980) |
| <i>Adjustments:</i> | | | |
| Depreciation | 400 | 0 | 400 |
| Donated Commodities Received During Year | 25,384 | 0 | 25,384 |
| <i>(Increase)/Decrease in Assets:</i> | | | |
| Intergovernmental Receivable | 0 | (29) | (29) |
| Inventory Held for Resale | 33 | 0 | 33 |
| Materials and Supplies Inventory | (489) | 0 | (489) |
| Prepays | 368 | 0 | 368 |
| <i>Increase in Liabilities:</i> | | | |
| Accrued Wages Payable | 953 | 0 | 953 |
| Compensated Absences Payable | 4,086 | 0 | 4,086 |
| Intergovernmental Payable | 2,546 | 0 | 2,546 |
| <i>Total Adjustments</i> | 33,281 | (29) | 33,252 |
| <i>Net Cash Used for Operating Activities</i> | (\$96,336) | (\$1,392) | (\$97,728) |

Non Cash Non Capital Financing Activities

Federal Donated Commodities in the amount of \$25,384 were recorded as revenue when received in the food service enterprise fund.

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2003

| | <u>Student Activities</u> |
|--|-------------------------------|
| Assets | |
| Equity Pooled in Cash and Cash Equivalents | <u>\$30,151</u> |
| Liabilities | |
| Due to Students | <u>\$30,151</u> |

See accompanying notes to the basic financial statements

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Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

Mathews Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and federal guidelines. This Board of Education controls the School District’s four instructional/support facilities staffed by 51 classified employees, 71 certified full-time, and 5 administrators who provide services to 1,007 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mathews Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Mathews Local School District.

The School District participates in five jointly governed organizations and three public entity risk pools. These organizations are the Trumbull County Career and Technical Center, the North East Ohio Management Information Network, the North East Ohio Instructional Media Center, the North East Ohio Special Education Regional Resource Center, the Region 12 Professional Development Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan and the Trumbull County Schools Employee Insurance Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Mathews Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the two business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

General Fund - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Capital Projects Fund - The permanent improvement capital projects fund accounts for property tax revenue to be used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds.

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The School District has no internal service funds. The following are the School District's proprietary funds:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise funds are:

Food Service Fund This fund accounts for the financial transactions related to the food service operations of the School District.

Uniform School Supplies Fund This fund accounts for the purchase and sale of school supplies for use in the School District. Profits derived from such sales are used for school purposes or activities connected with the school.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. Individual fund integrity is maintained through School District's records.

During fiscal year 2003, investments were limited to certificates of deposit and STAROhio. Nonparticipating investment contracts such as the certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

an investment company but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2003.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$31,404, which includes \$3,992 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food, school supplies held for resale and materials and supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside to create a reserve for bus purchase.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets utilized by the Food Service enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives | Business - type Activities Estimated Lives |
|-----------------------------|---|--|
| Land Improvements | 20 years | N/A |
| Buildings and Improvements | 99 years | N/A |
| Furniture and Equipment | 8 - 20 years | 20 years |
| Vehicles | 10 years | N/A |
| Textbooks and Library Books | 5 years | N/A |

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated the leave are paid.

In the Food Service enterprise fund, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include instructional and extracurricular activities.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, bus purchase and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the School District, these revenues are sales for food service and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 revenues/expenses in the food service enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Changes in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences.” GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

Note 4 - Accountability

Fund balances at June 30, 2003, included the following individual fund deficits:

| | |
|--|--------|
| <i>Special Revenue Funds:</i> | |
| Emergency Management Information Systems | \$36 |
| Disadvantaged Pupil Impact Aid | 23 |
| Ohio Reads | 45 |
| Title I | 1,735 |
| Title V | 33 |
| Class Size Reduction | 949 |
| <i>Enterprise Fund:</i> | |
| Food Service | 55,441 |

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

The enterprise fund deficit resulted from a pattern of expenses regularly exceeding revenues. Management is looking for ways to alleviate the deficit.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), 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 Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

| Net Change in Fund Balance | |
|----------------------------|--------------------------|
| GAAP Basis | (\$6,997) |
| Revenue Accruals | (813) |
| Expenditure Accruals | (3,408) |
| Encumbrances | <u>(73,155)</u> |
| Budget Basis | <u><u>(\$84,373)</u></u> |

Note 6 - Deposits and Investments

State statutes classify monies held by the School 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 School 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 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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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.

Protection of the School 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.

Interim monies may be invested in the following securities:

1. United States treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,573,520 and the bank balance was \$1,596,063. Of the bank balance:

1. \$200,000 of the bank balance was covered by depository insurance; and
2. \$1,396,063 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State 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.

Investments GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. STAROhio's fair value at June 30, 2003 is \$65,172.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

| | Cash and Cash Equivalents/Deposits | Investments |
|--|---------------------------------------|-------------|
| <i>GASB Statement No. 9</i> | \$1,638,692 | \$0 |
| Investments which are part of a cash management pool: | | |
| STAROhio | (65,172) | 65,172 |
| <i>GASB Statement No. 3</i> | \$1,573,520 | \$65,172 |

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$34,714 in the general fund and \$1,074 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$45,076 in the general fund and \$1,635 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are:

| | 2002 Second Half Collections | | 2003 First Half Collections | |
|---|---------------------------------|------------------------|--------------------------------|------------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$108,314,920 | 87.98 % | \$120,417,490 | 88.86 % |
| Public Utility Personal | 5,783,670 | 4.70 | 5,934,780 | 4.38 |
| Tangible Personal Property | <u>9,014,021</u> | <u>7.32</u> | <u>9,164,253</u> | <u>6.76</u> |
| Total | <u><u>\$123,112,611</u></u> | <u><u>100.00 %</u></u> | <u><u>\$135,516,523</u></u> | <u><u>100.00 %</u></u> |
| Tax rate per \$1,000 of assessed valuation | \$58.18 | | \$58.18 | |

Note 8 - Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|--|-----------------------|
| <i>Governmental Activities</i> | |
| Transportation Refund | \$7,102 |
| Wellness Grant Reimbursement | 1,483 |
| Gas Well | <u>131</u> |
| <i>Total Governmental Activities</i> | 8,716 |
| <i>Business Type Activities</i> | |
| Uniform School Supply | <u>29</u> |
| <i>Total All Activities</i> | <u><u>\$8,745</u></u> |

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The School District pays this annual premium to the OSP (Note 18). Coverages provided with Indiana Insurance and through the Ohio School Plan are as follows:

| Coverage | Amount |
|---|--------------|
| Coverage provided by Indiana Insurance: | |
| Building and Contents-replacement cost (\$1,000 deductible) | \$16,745,166 |
| Crime Insurance (\$100 deductible) | 3,000 |
| Automobile Liability (\$250 deductible on comprehensive) (\$500 deductible on collision) | 1,000,000 |
| Auto Medical Payments | 5,000 |
| Coverage provided by Hartford Re-Insurance: | |
| General Liability | |
| Per occurrence (\$1,000 deductible) | 1,000,000 |
| Total per year | 4,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

The School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. Mathews Local School District pays a

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

Note 10 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$85,439, \$52,269 and \$34,865 respectively; 55.98 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$464,536, \$335,255, and \$308,620 respectively; 85.02 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$48 made by the School District and \$1,149 made by the plan members.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$35,734 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$79,899.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and the treasurer earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the treasurer upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Unlimited sick leave may be accumulated for classified and certified employees. Upon retirement, payment is made for all accrued but unused sick leave according to the following formulas:

| | |
|---------------------------------|--|
| Certified (First Year Eligible) | Final Contracted Salary x .002 x Number of Sick Days Accumulated |
| Certified | Final Contracted Salary x .00125 x Number of Sick Days Accumulated |
| Classified | Final Contracted Salary (including longevity pay) x .00185 x Number of Sick Days Accumulated |

B. Life Insurance

Life insurance is provided to all employees. Classified employees receive \$40,000, full time certified employees receive \$40,000, part time classified employees receive \$24,000, and administrators receive an amount based on their salary up to a maximum of \$50,000, with the exception of the superintendent, who receives a maximum of \$300,000.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 13 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

| | Balance 6/30/02 | Additions | Deletions | Balance 6/30/03 |
|--|--------------------|-------------|------------|--------------------|
| Governmental Activities | | | | |
| <i>Capital Assets not being depreciated:</i> | | | | |
| Land | \$363,767 | \$0 | \$0 | \$363,767 |
| <i>Capital Assets being depreciated:</i> | | | | |
| Land Improvements | 460,318 | 2,962 | (14,767) | 448,513 |
| Buildings and Improvements | 2,294,115 | 20,895 | 0 | 2,315,010 |
| Furniture and Equipment | 1,517,787 | 45,863 | (231,799) | 1,331,851 |
| Vehicles | 560,258 | 51,364 | (2,600) | 609,022 |
| Textbooks and Library Books | 673,550 | 31,510 | 0 | 705,060 |
| <i>Total Capital Assets being depreciated</i> | 5,506,028 | 152,594 | (249,166) | 5,409,456 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (\$260,987) | (\$18,304) | \$8,920 | (\$270,371) |
| Buildings and Improvements | (608,116) | (23,344) | 0 | (631,460) |
| Furniture and Equipment | (706,368) | (86,120) | 202,473 | (590,015) |
| Vehicles | (290,352) | (53,985) | 1,429 | (342,908) |
| Textbooks and Library Books | (494,770) | (53,802) | 0 | (548,572) |
| <i>Total Accumulated Depreciation</i> | (2,360,593) | (235,555) * | 212,822 | (2,383,326) |
| <i>Total Capital Assets being depreciated, net</i> | 3,145,435 | (82,961) | (36,344) | 3,026,130 |
| <i>Governmental Activities</i> | | | | |
| <i>Capital Assets, Net</i> | \$3,509,202 | (\$82,961) | (\$36,344) | \$3,389,897 |
| Business-Type Activities | | | | |
| Furniture and Equipment | \$75,508 | \$0 | (\$5,133) | \$70,375 |
| Less Accumulated Depreciation | (73,277) | (400) | 5,133 | (68,544) |
| <i>Business-Type Activities</i> | | | | |
| <i>Capital Assets, Net</i> | \$2,231 | (\$400) | \$0 | \$1,831 |

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

* Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|-----------|
| Instruction: | |
| Regular | \$113,716 |
| Special | 4,940 |
| Vocational | 3,341 |
| Support Services: | |
| Pupil | 1,254 |
| Instructional Staff | 27,633 |
| Administration | 4,935 |
| Fiscal | 1,330 |
| Operation and Maintenance of Plant | 13,927 |
| Pupil Transportation | 52,159 |
| Central | 7,283 |
| Extracurricular | 5,037 |
| Total Depreciation Expense | \$235,555 |

Note 14 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

| | Principal Outstanding 6/30/02 | Additions | Deductions | Principal Outstanding 6/30/03 | Amounts due in One Year |
|--|-------------------------------------|-----------|------------|-------------------------------------|-------------------------------|
| Governmental-Type Activities | | | | | |
| 1993 EPA Asbestos Loan 0% | \$130,332 | \$0 | \$12,961 | \$117,371 | \$12,961 |
| Capital Leases | 281,000 | 0 | 51,000 | 230,000 | 53,000 |
| Compensated Absences | 1,025,924 | 493,073 | 420,436 | 1,098,561 | 206 |
| <i>Total Governmental Long-Term Activities</i> | \$1,437,256 | \$493,073 | \$484,397 | \$1,445,932 | \$66,167 |
| Business-Type Activities | | | | | |
| Compensated Absences | \$32,369 | \$22,310 | \$18,224 | \$36,455 | \$0 |

EPA Asbestos Loan - On April 16, 1993, Mathews Local School District obtained a loan in the amount of \$233,300 for the purpose of providing asbestos removal for the School District. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2013. The loan will be paid from the capital projects fund.

Capital leases will be paid from the general and permanent improvement capital projects funds and compensated absences will be paid from the general fund and food service enterprise fund.

The School District's overall legal debt margin was \$12,196,487 with an unvoted debt margin of \$135,517 at June 30, 2003.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Principal requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

| Fiscal year Ending June 30, | Principal |
|--------------------------------|-------------------------|
| 2004 | 12,961 |
| 2005 | 12,961 |
| 2006 | 12,961 |
| 2007 | 12,961 |
| 2008 | 12,961 |
| 2009-2013 | 52,566 |
| <i>Total</i> | <u><u>\$117,371</u></u> |

Note 15 - Capital Leases

Capital lease obligations relate to a bus garage lease purchase by the School District. This lease meets the criteria for capital leases as defined by Statement of Financial Accounting Standards No.13 "Accounting for Leases." Capital assets acquired by lease have been originally capitalized in the amount of \$281,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$5,676 leaving a current book value of \$275,324. As of June 30, 2003, principal and interest requirements are:

| Fiscal Year Ending June 30, | Amount |
|---|-------------------------|
| 2004 | 62,115 |
| 2005 | 62,645 |
| 2006 | 63,063 |
| 2007 | 63,369 |
| Total Minimum Lease Payments | 251,192 |
| Less: Amount Representing Interest | (21,192) |
| Present Value of Minimum Lease Payments | <u><u>\$230,000</u></u> |

Note 16 - Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

Mathews Local School District
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For the Fiscal Year Ended June 30, 2003

| | Capital | |
|---|--------------------|--------------------|
| | Textbooks | Improvements |
| Set-Aside Reserve Balance as of June 30, 2003 | (\$477,936) | \$0 |
| Current Year Set-Aside Requirement | 130,902 | 130,902 |
| Qualifying Disbursements | (106,961) | (68,966) |
| Current year offsets | 0 | (164,497) |
| Total | (\$453,995) | (\$102,561) |
| Set-Aside Balance Carried Forward to | | |
| Future Fiscal Years | (\$453,995) | \$0 |
| Cash balance as of June 30, 2003 | \$0 | \$0 |

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 17 - Jointly Governed Organizations

Trumbull County Career and Technical Center - The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio. The Center is operated under the direction of a Board, consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Management Information Network (NEOMIN) - NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Mathews Local School District paid \$14,550 to NEOMIN during fiscal year 2003.

The Governing Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Mathews Local School District was not represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

North East Ohio Instructional Media Center (NEOIMC) - The North-East Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2003, Mathews Local School District contributed \$1,428, which is \$1.45 per student. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC) - NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

Region 12 Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Note 18 - Public Entity Risk Pools

A. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Shared Risk Pool

Trumbull County Schools Employee Insurance Consortium - The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is a party to legal proceedings. The School District's management is of the opinion that the ultimate disposition of these claims will not have a material effect, if any, on the financial condition of the School District.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 20 - Interfund Transfers

Transfers made during the year ended June 30, 2003 were as follows:

| <u>Transfers To</u> | <u>Transfers From</u> |
|---------------------------|-----------------------|
| | <u>General</u> |
| Other Governmental Fund: | |
| Athletics | \$95,000 |
| Business Type Activities: | |
| Food Service | 20,781 |
| Uniform School Supply | <u>1,392</u> |
| Total | <u>\$117,173</u> |

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 21 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Note 22 - Subsequent Event

On November 4, 2003, the School District passed a 9.76 mill replacement levy which will generate approximately \$1,322,000 per year effective January 2005. This levy replaces a 12.68 mill levy.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|---|------------------------------------|------------------|------------------------------|----------------------|-----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | | 10.550 | | \$27,280 | | \$29,366 |
| National School Lunch Program | LLP4-2002 | 10.555 | \$16,844 | | \$16,844 | |
| | LLP4-2003 | 10.555 | 58,274 | | 58,274 | |
| Subtotal | | 10.555 | 75,118 | | 75,118 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 75,118 | 27,280 | 75,118 | 29,366 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States (IDEA Part B) | 6BSF-2002-P | 84.027 | 1,440 | | 1,440 | |
| | 6BSF-2003-P | 84.027 | 98,499 | | 98,499 | |
| Total Special Education Cluster | | 84.027 | 99,939 | | 99,939 | |
| Grants to Local Educational Agencies (ESEA Title I) | C1S1-2003 | 84.010 | 108,625 | | 108,196 | |
| Safe and Drug Free Schools - State Grants Title IV, Part A, Subpart 1 of ESEA | DRS1-2003 | 84.186 | 3,746 | | 3,746 | |
| Eisenhower Professional Development State Grants Title II, Part B | MSS1-2002 | 84.281 | 41 | | 2,425 | |
| Innovative Program Strategies | C2S1-2003 | 84.298 | 5,239 | | 5,239 | |
| Technology Literacy Challenge Fund Grants (TCLF) (Title II Part D) | TJS1-2003 | 84.318 | 1,079 | | 929 | |
| Class Size Reduction | CRS1-2002 | 84.340 | | | 1,727 | |
| School Renovation, IDEA and Technology Program | ATS2-2002 | 84.352A | 2,744 | | 2,744 | |
| Improving Teacher Quality | TRS1-2003 | 84.367 | 14,203 | | 12,910 | |
| <i>Passed Through Ohio Department of Education/ Ohio School Facilities Commission</i> | | | | | | |
| School Renovation, IDEA and Technology Program | 444 | 84.352A | 57,273 | | 2,576 | |
| Total U.S. Department of Education | | | 292,889 | | 240,431 | |
| Totals | | | \$368,007 | \$27,280 | \$315,549 | \$29,366 |

The accompanying notes to this schedule are an integral part of this schedule.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mathews Local School District
4429 Warren-Sharon Road
Vienna, Ohio 44473

To the Board of Education,

We have audited the financial statements of Mathews Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated June 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mathews Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mathews Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we did note another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Mathews Local School District in a separate letter dated June 21, 2004.

Mathews Local School District
Trumbull County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 21, 2004



Auditor of State Betty Montgomery

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

Mathews Local School District
4429 Warren-Sharon Road
Vienna, OH 44473

To the Board of Education,

Compliance

We have audited the compliance of Mathews Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Mathews Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mathews Local School District's management. Our responsibility is to express an opinion on Mathews Local School District's compliance based on our audit.

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

In our opinion, Mathews Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Mathews Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Mathews Local School District
Trumbull County
Independent Accountants' Report On Compliance With Requirements
Applicable To Major Federal Programs And Internal Control Over
Compliance In Accordance With OMB Circular A-133
Page 2

In planning and performing our audit, we considered Mathews Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

June 21, 2004

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Unqualified |
| (d)(1)(vii) | Major Programs (list): | Grants to Local Education Agencies\CFDA # 84.010 and Special Education Cluster\CFDA #84.027 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

| Finding Number | |
|----------------|--|
|----------------|--|

None

3. FINDINGS FOR FEDERAL AWARDS

| Finding Number | |
|----------------|--|
|----------------|--|

None



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

MATHEWS LOCAL SCHOOL DISTRICT

TRUMBULL 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
JULY 6, 2004**