



Mary Taylor, CPA  
Auditor of State



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mathews Local School District  
Trumbull County  
4434B Warren-Sharon Road NE  
Vienna, Ohio 44473

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2008, 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 audit 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio, as of June 30, 2008, and the respective changes in financial position and the 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 July 31, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

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

**Mary Taylor, CPA**  
Auditor of State

July 31, 2009

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**(Unaudited)**

The management's discussion and analysis of Mathews Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$219,690, which represents a 5.47% decrease from 2007.
- General revenues accounted for \$8,138,303 in revenue or 87.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,209,069 or 12.93% of total revenues of \$9,347,372.
- The District had \$9,567,062 in expenses related to governmental activities; only \$1,209,069 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,138,303 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$8,422,632 in revenues and other financing sources and \$8,862,913 in expenditures and other financing uses. The general fund's fund balance decreased \$440,281 from \$1,397,052 to \$956,771.

**Using these Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-47 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. Assets, liabilities and net assets at June 30, 2007 have been restated, as described in Note 3.A. of the notes to the basic financial statements. The table below provides a summary of the District's net assets for 2008 compared to fiscal 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	(Restated) Governmental Activities 2007
<b><u>Assets</u></b>		
Current assets	\$ 7,130,446	\$ 7,583,028
Capital assets, net	<u>3,511,315</u>	<u>3,353,680</u>
Total assets	<u>10,641,761</u>	<u>10,936,708</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,317,639	5,486,714
Long-term liabilities	<u>1,526,850</u>	<u>1,433,032</u>
Total liabilities	<u>6,844,489</u>	<u>6,919,746</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of debt	3,458,749	3,288,153
Restricted	100,808	72,703
Unrestricted	<u>237,715</u>	<u>656,106</u>
Total net assets	<u>\$ 3,797,272</u>	<u>\$ 4,016,962</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$3,797,272.

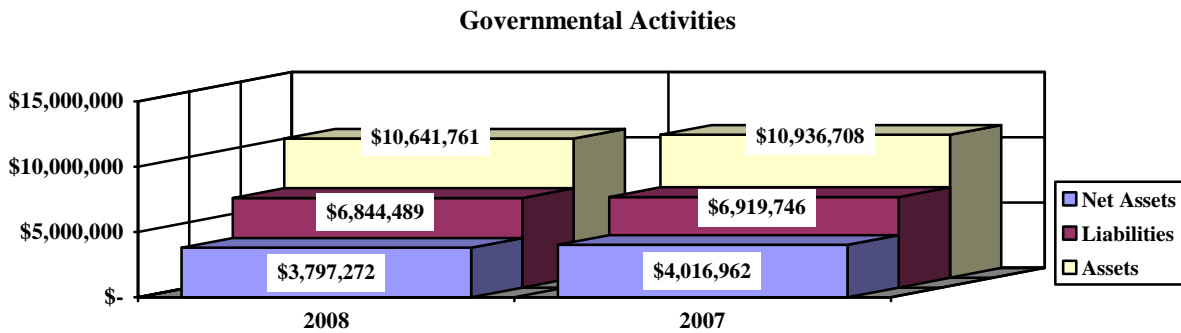
**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

At year-end, capital assets represented 33.00% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2008, was \$3,458,749. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$100,808 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$237,715 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets as of June 30, 2008 and 2007.



The table below shows the changes in net assets for governmental activities for fiscal year 2008 compared to fiscal year 2007. Refer to Note 3.A. to the basic financial statements for detail on the fund reclassification and restatement of net assets at the beginning of the fiscal year.

	<b>Change in Net Assets</b>	
	Governmental Activities 2008	(Restated) Governmental Activities 2007
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 699,618	\$ 640,501
Operating grants and contributions	497,909	577,449
Capital grants and contributions	11,542	9,061
General revenues:		
Property taxes	4,477,960	4,587,584
Grants and entitlements	3,510,781	3,296,932
Revenue in lieu of taxes	20,740	30,972
Investment earnings	117,982	137,108
Other	10,840	12,873
Total revenues	9,347,372	9,292,480

--Continued

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(Unaudited)

**Change in Net Assets (Continued)**

	Governmental Activities <u>2008</u>	(Restated) Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,480,206	4,232,669
Special	740,194	562,249
Vocational	45,157	34,540
Other	132,676	166,769
Support services:		
Pupil	521,713	553,188
Instructional staff	245,715	324,315
Board of Education	51,092	51,981
Administration	789,712	744,384
Fiscal	304,071	367,466
Operations and maintenance	1,081,640	863,849
Pupil transportation	563,699	602,870
Central	94,961	84,662
Operation of non-instructional services:		
Food service	326,644	314,830
Other non-instructional services	1,900	-
Extracurricular activities	187,682	204,883
Interest and fiscal charges	-	1,369
Total expenses	<u>9,567,062</u>	<u>9,110,024</u>
Changes in net assets	(219,690)	182,456
Net assets, beginning of year (restated)	<u>4,016,962</u>	<u>3,834,506</u>
Net assets, end of year	<u>\$ 3,797,272</u>	<u>\$ 4,016,962</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$219,690. Total governmental expenses of \$9,567,062 were partially offset by program revenues of \$1,209,069 and general revenues of \$8,138,303. Program revenues supported 12.64% of the total governmental expenses.

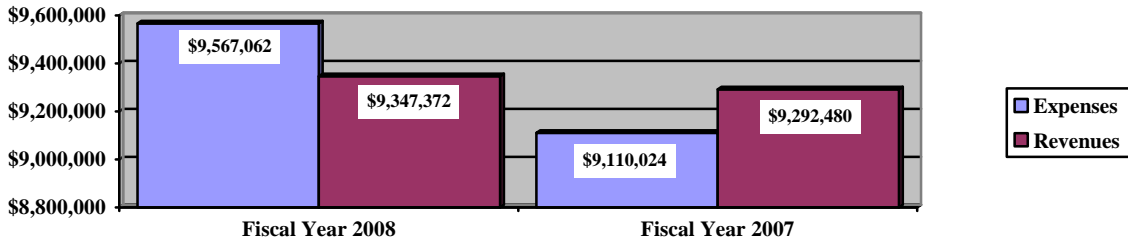
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 85.47% of total governmental revenue. Real estate property is reappraised every six years.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Certain amounts for 2007 have been restated. Refer to Note 3.A. to the basic financial statements for detail on the fund reclassification and restatement of net assets at the beginning of the fiscal year.

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	(Restated) Total Cost of Services <u>2007</u>	(Restated) Net Cost of Services <u>2007</u>
Program expenses:				
Instruction:				
Regular	\$ 4,480,206	\$ 4,018,201	\$ 4,232,669	\$ 3,822,069
Special	740,194	497,202	562,249	269,617
Vocational	45,157	27,855	34,540	8,918
Other	132,676	103,652	166,769	134,050
Support services:				
Pupil	521,713	469,545	553,188	465,549
Instructional staff	245,715	226,379	324,315	313,642
Board of Education	51,092	51,092	51,981	51,981
Administration	789,712	763,421	744,384	744,384
Fiscal	304,071	304,071	367,466	367,466
Operations and maintenance	1,081,640	1,081,640	863,849	863,849
Pupil transportation	563,699	550,887	602,870	586,849
Central	94,961	77,961	84,662	67,662
Operation of non-instructional services				
Other of non-instructional services	1,900	1,900	-	-
Food service operations	326,644	48,345	314,830	29,040
Extracurricular activities	187,682	135,842	204,883	156,568
Interest and fiscal charges	-	-	1,369	1,369
<b>Total expenses</b>	<b><u>\$ 9,567,062</u></b>	<b><u>\$ 8,357,993</u></b>	<b><u>\$ 9,110,024</u></b>	<b><u>\$ 7,883,013</u></b>

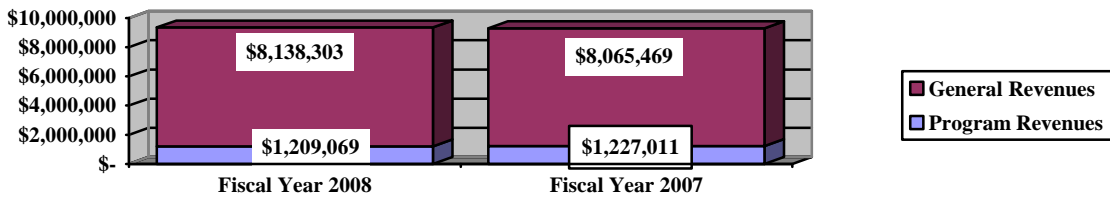
**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

The dependence upon tax revenues during fiscal year 2008 for governmental activities is apparent, as 86.08% of 2008 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.36% and 86.53% in 2008 and 2007, respectively. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,089,576, which is \$433,154 less than last year's total of \$1,522,730. Fund balance of the other governmental funds has been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	(Restated) Fund Balance June 30, 2007	Increase (Decrease)
General	\$ 956,771	\$ 1,397,052	\$ (440,281)
Other governmental	132,805	125,678	7,127
Total	<u>\$ 1,089,576</u>	<u>\$ 1,522,730</u>	<u>\$ (433,154)</u>

**General Fund**

The District's general fund balance decreased \$440,281. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<b>Revenues</b>			
Taxes	\$ 4,269,218	\$ 5,004,645	(14.69) %
Interest earnings	111,050	137,080	(18.99) %
Intergovernmental	3,621,221	3,468,367	4.41 %
Other revenues	419,443	369,730	13.45 %
Total	<u>\$ 8,420,932</u>	<u>\$ 8,979,822</u>	(6.22) %

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

<b><u>Expenditures</u></b>			
Instruction	\$ 4,981,733	\$ 4,496,766	10.78 %
Support services	3,237,790	3,392,802	(4.57) %
Extracurricular activities	25,168	25,820	(2.53) %
Facilities acquisition and construction	<u>252,296</u>	<u>80,762</u>	212.39 %
Total	<u>\$ 8,496,987</u>	<u>\$ 7,996,150</u>	6.26 %

The decrease in tax revenue can be attributed to less property tax collections during fiscal year 2008. The decrease in interest earnings is primarily due to decreased interest rates. All other revenue items remained consistent when compared to prior fiscal years. The increase in instruction expenditures is primarily due to wage and benefit increases for the District. The increase in facilities acquisition and construction expenditures is due to the construction of a new locker room facility during fiscal year 2008. Support services and extracurricular activities expenditures remained consistent when compared to prior fiscal years.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2008, the District amended its general fund budget numerous times, none significant. For the general fund, final budgeted revenues and other financing sources were \$216,418, above original budget estimates of \$8,214,387. The actual revenues and other financing sources were \$8,479,807, which were \$49,002 more than final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$9,033,834 were increased to \$9,143,906 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$9,065,474, which was \$78,432 less than the final budget appropriations, primarily because salary costs proved to be lower than anticipated in the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the District had \$3,511,315 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The District reclassified the capital assets of the nonmajor enterprise funds as described in Note 3.A. to the basic financial statements. The following table shows fiscal 2008 balances compared to 2007:

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(Unaudited)  
**Capital Assets at June 30**  
(Net of Depreciation)

	Governmental Activities <u>2008</u>	(Restated) Governmental Activities <u>2007</u>
Land	\$ 363,767	\$ 363,767
Land improvements	271,976	301,942
Building and improvements	2,182,683	1,958,557
Furniture and equipment	489,905	477,310
Vehicles	<u>202,984</u>	<u>252,104</u>
 Total	 <u>\$ 3,511,315</u>	 <u>\$ 3,353,680</u>

Total additions to capital assets for 2008 were \$371,685 and total disposals were \$3,676 (net of accumulated depreciation). Depreciation expense for fiscal year 2008 was \$210,374. The overall increase in capital assets of \$157,635 was due to additions exceeding depreciation expense and net disposals.

Refer to Note 8 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2008 the District had a \$52,566 asbestos loan outstanding. Of this total, \$12,961 is due within one year and \$39,605 is due within greater than one year. The following table summarizes the loan outstanding.

**Outstanding Debt at June 30**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Asbestos loan	<u>\$ 52,566</u>	<u>\$ 65,527</u>

At June 30, 2008 the District's overall legal debt margin was \$13,172,965 with an unvoted debt margin of \$146,366.

See Note 9 to the basic financial statements for detail on the District's long-term obligations.

**Current Financial Related Activities**

As the preceding information shows, the District is heavily reliant on the local property taxpayer. The District does not anticipate placing any new operating levies on the ballot. It does, however, require passage of a 9.25 mill replacement and decrease levy on November 4, 2008. This levy replaces and decreases a 9.76 mill levy that was approved by the voters on November 4, 2003. The levy, which generates approximately \$1,356,166 annually, is for the purpose of current expenses and for a period of five years.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

The Ohio Office of Budget and Management is projecting budget shortfalls for fiscal year 2009. To avoid a statewide fiscal crisis, the Governor ordered state agencies to cut spending by \$540 million. The Ohio Department of Education is responsible for \$25.9 million in spending reductions for fiscal year 2009. There will be reductions in direct subsidies and grants, but these reductions are not expected to impact the SF-3 funding. There is, however, a possibility that the State Board of Education will recommend funding the Transitional Aid Guarantee at 95% of the previous year's funding for the fiscal year 2010-2011 biennial budget. This reduction would have a direct impact on the SF-3 funding. The Mathews Local School District has relied on this "guarantee" since fiscal year 2000.

The Board of Education recently ratified a one-year contract with its teaching staff. The agreement includes a 1.75% salary increase but also contains 5% employee medical insurance premium co-payments and reduced medical coverage. The Board is still in negotiations with its classified staff.

The District is faced with the challenge of maintaining four old buildings. The oldest building is the high school, which dates back to 1915. The Ohio School Facilities Commission currently ranks the District 476 out of 612 districts in the state to receive classroom facilities funds. In other words, 475 school districts will receive funds before the District does. It is not anticipated that the District will receive any construction funds from the State until 2015 at best. Based on the 476 ranking, the Ohio School Facilities Commission determined the local share of the Mathews taxpayers to be 78% with the State contributing only 22% to any new or remodeled facilities.

The Board of Education has decided to proceed with replacing the aging buildings, either totally through a bond issue or through an Expedited Local Partnership Program. With the Expedited Local Partnership Program, the District adopts the State's master plan for the District and builds accordingly. Then the District will receive the 22% reimbursement when its ranking is reached, perhaps in 2015. The Board has chosen the architectural firm Olsavsky Jaminet. Olsavsky Jaminet and Fanning/Howey will assist the Board of Education in preparing presentations for the public. These assemblies are expected to begin November 2008.

The District administration realizes that prudent management will be necessary to continue to provide the resources necessary to meet student needs while diligently controlling the escalating expenditures. In this regard, the Board of Education and administration closely monitor the District's revenue and expenditures in accordance with its five-year forecast.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Teri Andrika, Treasurer, Mathews Local School District, 4434-B Warren Sharon Road NE, Vienna, Ohio, 44473-9644.



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . .	\$ 2,212,606
Receivables:	
Taxes . . . . .	4,834,031
Accounts . . . . .	1,976
Intergovernmental . . . . .	3,126
Accrued interest . . . . .	9,602
Prepayments . . . . .	31,366
Materials and supplies inventory . . . . .	37,739
Capital assets:	
Land . . . . .	363,767
Depreciable capital assets, net. . . . .	3,147,548
Total capital assets, net . . . . .	3,511,315
 Total assets . . . . .	 10,641,761
 <b>Liabilities:</b>	
Accounts payable . . . . .	11,783
Accrued wages and benefits . . . . .	697,559
Pension obligation payable. . . . .	204,911
Intergovernmental payable . . . . .	46,546
Unearned revenue . . . . .	4,356,840
Long-term liabilities:	
Due within one year . . . . .	236,236
Due in more than one year . . . . .	1,290,614
Total long-term liabilities . . . . .	1,526,850
 Total liabilities . . . . .	 6,844,489
 <b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	3,458,749
Restricted for:	
Capital projects . . . . .	88,422
State funded programs . . . . .	1,103
Student activities . . . . .	5,481
School bus purchases. . . . .	5,802
Unrestricted . . . . .	237,715
Total restricted net assets . . . . .	8,285,763
 Total net assets . . . . .	 \$ 3,797,272

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,480,206	\$ 421,791	\$ 34,474	\$ 5,740	\$ (4,018,201)
Special . . . . .	740,194	16,066	226,926	-	(497,202)
Vocational . . . . .	45,157	-	17,302	-	(27,855)
Other . . . . .	132,676	-	29,024	-	(103,652)
Support services:					
Pupil . . . . .	521,713	-	52,168	-	(469,545)
Instructional staff . . . . .	245,715	7,543	11,793	-	(226,379)
Board of education . . . . .	51,092	-	-	-	(51,092)
Administration . . . . .	789,712	-	26,291	-	(763,421)
Fiscal . . . . .	304,071	-	-	-	(304,071)
Operations and maintenance . . . . .	1,081,640	-	-	-	(1,081,640)
Pupil transportation . . . . .	563,699	7,010	-	5,802	(550,887)
Central . . . . .	94,961	-	17,000	-	(77,961)
Operation of non-instructional services:					
Food service operations . . . . .	326,644	195,368	82,931	-	(48,345)
Other non-instructional services . . . . .	1,900	-	-	-	(1,900)
Extracurricular activities . . . . .	187,682	51,840	-	-	(135,842)
Total governmental activities . . . . .	<u>\$ 9,567,062</u>	<u>\$ 699,618</u>	<u>\$ 497,909</u>	<u>\$ 11,542</u>	<u>(8,357,993)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	4,325,807
Capital projects . . . . .	152,153
Grants and entitlements not restricted	
to specific programs . . . . .	3,510,781
Investment earnings . . . . .	117,982
Revenue in lieu of taxes . . . . .	20,740
Miscellaneous . . . . .	10,840
Total general revenues . . . . .	<u>8,138,303</u>
Change in net assets . . . . .	(219,690)
<b>Net assets at beginning of year (restated) . . . . .</b>	<u>4,016,962</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 3,797,272</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,811,399	\$ 395,405	\$ 2,206,804
Receivables:			
Taxes . . . . .	4,670,237	163,794	4,834,031
Accounts . . . . .	1,973	3	1,976
Intergovernmental . . . . .	-	3,126	3,126
Accrued interest . . . . .	9,602	-	9,602
Prepayments . . . . .	31,366	-	31,366
Materials and supplies inventory . . . . .	28,923	8,816	37,739
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	5,802	-	5,802
Total assets . . . . .	\$ 6,559,302	\$ 571,144	\$ 7,130,446
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 7,014	\$ 4,769	\$ 11,783
Accrued wages and benefits . . . . .	666,498	31,061	697,559
Compensated absences payable . . . . .	-	219,544	219,544
Pension obligation payable. . . . .	187,974	16,937	204,911
Intergovernmental payable. . . . .	43,963	2,583	46,546
Deferred revenue. . . . .	486,855	16,832	503,687
Unearned revenue. . . . .	4,210,227	146,613	4,356,840
Total liabilities . . . . .	5,602,531	438,339	6,040,870
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	122,221	73,822	196,043
Reserved for materials and supplies inventory. . . . .	28,923	8,816	37,739
Reserved for prepayments . . . . .	31,366	-	31,366
Reserved for property tax unavailable for appropriation . . . . .	9,943	349	10,292
Reserved for school bus purchases. . . . .	5,802	-	5,802
Unreserved (deficit), undesignated, reported in:			
General fund . . . . .	758,516	-	758,516
Special revenue funds. . . . .	-	50,110	50,110
Capital projects funds. . . . .	-	(292)	(292)
Total fund balances . . . . .	956,771	132,805	1,089,576
Total liabilities and fund balances . . . . .	\$ 6,559,302	\$ 571,144	\$ 7,130,446

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$ 1,089,576
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,511,315
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 496,756	
Accrued interest	6,931	
Total		503,687
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,254,740	
Asbestos loan payable	52,566	
Total		(1,307,306)
<b>Net assets of governmental activities</b>		<b>\$ 3,797,272</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,269,218	\$ 150,207	\$ 4,419,425
Tuition. . . . .	369,202	17,891	387,093
Transportation fees. . . . .	3,069	-	3,069
Charges for services. . . . .	-	195,368	195,368
Earnings on investments. . . . .	111,050	1	111,051
Extracurricular. . . . .	-	95,110	95,110
Classroom materials and fees. . . . .	10,028	-	10,028
Revenue in lieu of taxes . . . . .	20,740	-	20,740
Other local revenues. . . . .	16,404	3,386	19,790
Intergovernmental - State. . . . .	3,621,221	78,307	3,699,528
Intergovernmental - Federal . . . . .	-	336,977	336,977
Total revenue . . . . .	<u>8,420,932</u>	<u>877,247</u>	<u>9,298,179</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	4,179,999	276,272	4,456,271
Special. . . . .	630,059	107,033	737,092
Vocational. . . . .	68,612	-	68,612
Other. . . . .	103,063	29,613	132,676
Support services:			
Pupil. . . . .	452,341	68,618	520,959
Instructional staff . . . . .	205,462	35,079	240,541
Board of education . . . . .	51,092	-	51,092
Administration. . . . .	711,566	63,314	774,880
Fiscal . . . . .	296,987	22,789	319,776
Operations and maintenance. . . . .	939,337	79,124	1,018,461
Pupil transportation . . . . .	505,451	4,548	509,999
Central. . . . .	75,554	18,867	94,421
Operation of non-instructional services:			
Food service operations . . . . .	-	320,723	320,723
Other non-instructional services. . . . .	-	5,174	5,174
Extracurricular activities. . . . .	25,168	191,931	217,099
Facilities acquisition and construction . . . . .	252,296	-	252,296
Debt service:			
Principal retirement . . . . .	-	12,961	12,961
Total expenditures . . . . .	<u>8,496,987</u>	<u>1,236,046</u>	<u>9,733,033</u>
Deficiency of revenues under expenditures . . . . .	<u>(76,055)</u>	<u>(358,799)</u>	<u>(434,854)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets. . . . .	1,700	-	1,700
Transfers in . . . . .	-	365,926	365,926
Transfers (out). . . . .	(365,926)	-	(365,926)
Total other financing sources (uses) . . . . .	<u>(364,226)</u>	<u>365,926</u>	<u>1,700</u>
Net change in fund balances . . . . .	(440,281)	7,127	(433,154)
<b>Fund balances at beginning of year (restated) .</b>	<u>1,397,052</u>	<u>125,678</u>	<u>1,522,730</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 956,771</u>	<u>\$ 132,805</u>	<u>\$ 1,089,576</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

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, 2008

**Net change in fund balances - total governmental funds** \$ (433,154)

*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 capital outlay exceeds depreciation expense in the current period.

Capital asset additions	\$	371,685	
Current year depreciation		(210,374)	
Total			161,311

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

Capital asset disposals		(64,796)	
Accumulated depreciation on disposals		61,120	
Total			(3,676)

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

Taxes		58,535	
Intergovernmental revenue		(16,273)	
Accrued interest		6,931	
Total			49,193

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

12,961

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

(6,325)

**Change in net assets of governmental activities** \$ (219,690)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,149,934	\$ 4,259,269	\$ 4,288,074	\$ 28,805
Tuition. . . . .	348,075	357,246	369,202	11,956
Transportation fees. . . . .	2,923	3,000	3,069	69
Earnings on investments. . . . .	97,433	100,000	109,461	9,461
Classroom materials and fees . . . . .	8,769	9,000	10,023	1,023
Revenue in lieu of taxes. . . . .	18,278	18,760	20,740	1,980
Other local revenues . . . . .	9,365	9,611	10,626	1,015
Intergovernmental - State . . . . .	3,536,328	3,629,497	3,621,221	(8,276)
Total revenue . . . . .	<u>8,171,105</u>	<u>8,386,383</u>	<u>8,432,416</u>	<u>46,033</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,248,797	4,300,566	4,264,480	36,086
Special. . . . .	645,166	653,027	648,309	4,718
Vocational. . . . .	67,388	68,209	68,046	163
Other. . . . .	100,051	101,270	100,881	389
Support services:				
Pupil. . . . .	449,559	455,037	451,121	3,916
Instructional staff . . . . .	201,671	204,128	201,668	2,460
Board of education . . . . .	80,495	81,476	81,438	38
Administration. . . . .	732,336	741,259	731,958	9,301
Fiscal . . . . .	303,053	306,746	303,556	3,190
Operations and maintenance. . . . .	968,237	980,034	971,964	8,070
Pupil transportation . . . . .	522,521	528,888	519,465	9,423
Central. . . . .	78,559	79,516	78,838	678
Extracurricular activities. . . . .	25,524	25,528	25,528	-
Facilities acquisition and construction. . . . .	249,259	252,296	252,296	-
Total expenditures . . . . .	<u>8,672,616</u>	<u>8,777,980</u>	<u>8,699,548</u>	<u>78,432</u>
Deficiency of revenues under expenditures. . . . .	<u>(501,511)</u>	<u>(391,597)</u>	<u>(267,132)</u>	<u>124,465</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	42,795	43,922	45,691	1,769
Transfers (out) . . . . .	(361,218)	(365,926)	(365,926)	-
Sale of capital assets. . . . .	487	500	1,700	1,200
Total other financing sources (uses) . . . . .	<u>(317,936)</u>	<u>(321,504)</u>	<u>(318,535)</u>	<u>2,969</u>
Net change in fund balance . . . . .	(819,447)	(713,101)	(585,667)	127,434
<b>Fund balance at beginning of year. . . . .</b>	1,984,649	1,984,649	1,984,649	-
<b>Prior year encumbrances appropriated . . . . .</b>	285,072	285,072	285,072	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,450,274</u>	<u>\$ 1,556,620</u>	<u>\$ 1,684,054</u>	<u>\$ 127,434</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 41,373
Receivables:	
Accounts . . . . .	160
Total assets. . . . .	\$ 41,533
<b>Liabilities:</b>	
Due to students . . . . .	\$ 41,533
Total liabilities . . . . .	\$ 41,533

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Mathews Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and Federal guidelines. The Board of Education controls the District's four instructional/support facilities staffed by 46 classified employees and 72 certified full-time employees who provide services to 901 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 15 participating school district's elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Northeast 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 the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. 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, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Northeast Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the Districts. Each member pays a semi-annual premium based on the District's average daily membership. 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 Governing Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Region 12 Professional Development Center (the "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 improving instructional programs.

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Trumbull County Schools Employee Insurance Benefits Consortium

The District participates in the Trumbull County Schools Employee Insurance Benefits 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.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds focus 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 is the District's major governmental fund:

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds are classified as either enterprise or internal service. The District has no proprietary funds.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only 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 fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

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 are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the 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 6). 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2008 amounted to \$111,050 which includes \$17,274 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$300. Donated capital assets are recorded at their fair market values as of the date received. The 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, except 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 <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	99 years
Furniture/equipment	5 - 20 years
Vehicles	10 years

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets. The District had no interfund loans outstanding at June 30, 2008.



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year-end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 and compensated absences 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 are recognized as a liability in the fund financial statements when due.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity 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, materials and supplies inventory, prepayments, school bus purchases and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the 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 include the amount required by State statute to be set aside to create a reserve for school bus purchases. See Note 15 for details.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**Q. Interfund Activity**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Reclassification and Restatement of Fund Balance and Net Assets**

A fund reclassification is required to report funds previously reported as nonmajor enterprise funds as nonmajor special revenue funds. The fees received by these funds are not designed to cover all costs associated with the operation of the funds. These funds are largely supported by intergovernmental grants and entitlements and should be reported as governmental funds rather than enterprise funds. This fund reclassification had the following effect on the District's governmental fund balances and nonmajor enterprise fund net assets as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>	<u>Nonmajor Enterprise</u>
Fund balance/net assets as previously reported	\$ 1,397,052	\$ 142,287	\$ 1,539,339	\$ (62,173)
Fund reclassification:				
Net assets of nonmajor enterprise funds at June 30, 2007	-	(62,173)	(62,173)	62,173
Capital assets	-	(12,838)	(12,838)	-
Long-term liabilities	-	58,402	58,402	-
Net fund reclassification	<u>-</u>	<u>(16,609)</u>	<u>(16,609)</u>	<u>62,173</u>
Restated fund balance at July 1, 2007	<u>\$ 1,397,052</u>	<u>\$ 125,678</u>	<u>\$ 1,522,730</u>	<u>\$ -</u>

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The fund reclassification had the following effect on the governmental activities and business-type activities net assets as previously reported:

	Governmental Activities	Business-Type Activities
Net assets at June 30, 2007	\$ 4,079,135	\$ (62,173)
Fund reclassification	(62,173)	62,173
Restated net assets at July 1, 2007	\$ 4,016,962	\$ -

**B. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**C. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Food service	\$ 27,768
Education management information systems	50
Miscellaneous state grants	55
Title I	109
Title VI	17
Title II-A	7,286

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$1,447,318. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,204,445 of the District's bank balance of \$1,458,666 was exposed to custodial risk as discussed below, while \$254,221 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

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

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u> 6 months or less
STAR Ohio	\$ 806,661	\$ 806,661

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 806,661	100.00%

**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,447,318
Investments	<u>806,661</u>
Total	<u>\$ 2,253,979</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,212,606
Agency fund	<u>41,373</u>
Total	<u>\$ 2,253,979</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 365,926

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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.



**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property is assessed at 12.50% for property including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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 District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$9,943 in the general fund and \$349 in the permanent improvement capital projects fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount available as an advance at June 30, 2007 was \$28,799 in the general fund and \$1,013 in the permanent improvement capital projects fund (a nonmajor governmental fund).

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 unearned revenue.

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  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 140,224,610	92.01	\$ 142,136,720	95.49
Public utility personal	5,673,690	3.73	4,340,040	2.92
Tangible personal property	<u>6,502,521</u>	<u>4.26</u>	<u>2,367,210</u>	<u>1.59</u>
<b>Total</b>	<b><u>\$ 152,400,821</u></b>	<b><u>100.00</u></b>	<b><u>\$ 148,843,970</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$54.46		 \$54.46	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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 year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 4,834,031
Accounts	1,976
Intergovernmental	3,126
Accrued interest	<u>9,602</u>
<b>Total receivables</b>	<b><u>\$ 4,848,735</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital assets of the governmental activities have been restated by \$12,838 at June 30, 2007 to include the capital assets of the business-type activities that have been reclassified into the governmental activities (see Note 3.A. for detail). Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 363,767	\$ -	\$ -	\$ 363,767
Total capital assets, not being depreciated	<u>363,767</u>	<u>-</u>	<u>-</u>	<u>363,767</u>
Capital assets, being depreciated:				
Land improvements	680,818	-	-	680,818
Building/improvements	2,676,291	253,213	-	2,929,504
Furniture/equipment	1,454,050	118,472	(64,796)	1,507,726
Vehicles	<u>698,266</u>	<u>-</u>	<u>-</u>	<u>698,266</u>
Total capital assets, being depreciated	<u>5,509,425</u>	<u>371,685</u>	<u>(64,796)</u>	<u>5,816,314</u>
Less: accumulated depreciation				
Land improvements	(378,876)	(29,966)	-	(408,842)
Building/improvements	(717,734)	(29,087)	-	(746,821)
Furniture/equipment	(976,740)	(102,201)	61,120	(1,017,821)
Vehicles	<u>(446,162)</u>	<u>(49,120)</u>	<u>-</u>	<u>(495,282)</u>
Total accumulated depreciation	<u>(2,519,512)</u>	<u>(210,374)</u>	<u>61,120</u>	<u>(2,668,766)</u>
Governmental activities capital assets, net	<u>\$ 3,353,680</u>	<u>\$ 161,311</u>	<u>\$ (3,676)</u>	<u>\$ 3,511,315</u>

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 80,076
Special	3,324
Vocational	2,453
Support services:	
Pupil	1,920
Instructional staff	18,089
Administration	6,878
Fiscal	1,776
Operations and maintenance	26,825
Pupil transportation	48,261
Central	2,361
Extracurricular	17,530
Food service operations	<u>881</u>
Total depreciation expense	<u>\$ 210,374</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. Long-term obligations of the governmental activities have been restated by \$59,982 at June 30, 2007 to include the long-term obligations of the business-type activities that have been reclassified into the governmental activities (see Note 3.A. for detail). The changes in the District's long-term obligations during fiscal year 2008 consist of the following:

	Restated Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Amounts Due in <u>One Year</u>
<b><u>Governmental-type activities:</u></b>					
1993 EPA Asbestos Loan 0%	\$ 65,527	\$ -	\$ (12,961)	\$ 52,566	\$ 12,961
Compensated absences	<u>1,367,505</u>	<u>251,040</u>	<u>(144,261)</u>	<u>1,474,284</u>	<u>223,275</u>
Total governmental long-term activities	<u>\$ 1,433,032</u>	<u>\$ 251,040</u>	<u>\$ (157,222)</u>	<u>\$ 1,526,850</u>	<u>\$ 236,236</u>

Compensated absences will be paid by the terminations benefits nonmajor governmental fund.

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 District. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2013. This loan is interest free. The loan will be paid from the permanent improvement fund (a nonmajor governmental fund).

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Principal requirements to retire the asbestos loan outstanding at June 30, 2008, are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>
2009	\$ 12,961
2010	12,961
2011	12,961
2012	12,961
2013	<u>722</u>
Total	<u>\$ 52,566</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$13,172,965 and an unvoted debt margin of \$146,366.

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District had the following coverage provided by Indiana Insurance:

<u>Coverage</u>	<u>Amount</u>
Building and contents-replacement cost (\$1,000 deductible)	\$17,590,297
Money and securities/in and out (\$1,000 deductible)	25,000
Automobile liability (\$500 deductible on comprehensive) (\$500 deductible on collision)	2,000,000
Auto medical payments	5,000
Uninsured/under insured motorists	1,000,000
General liability	
Per occurrence (no deductible)	2,000,000
Total per year	3,000,000
Employers liability (no deductible)	
Per occurrence	2,000,000
Educational legal liability	
Per occurrence (\$2,500 deductible)	2,000,000
Total per year	2,000,000

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

**B. Workers' Compensation**

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 group. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Total savings are then calculated and each participants 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**

For fiscal 2008, the District 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. The District pays a monthly contribution into a common consortium 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 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The 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 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$108,482, \$112,154 and \$116,520, respectively; 45.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 11 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$521,610, \$502,274 and \$507,134, respectively; 83.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$114 made by the District and \$116 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$71,572, \$58,565 and \$58,594, respectively; 45.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,816, 7,626 and \$9,274, respectively; 45.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$40,124, \$38,636 and \$39,010, respectively; 83.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While reporting 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 and disbursements.

The statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (585,667)
Net adjustment for revenue accruals	(11,484)
Net adjustment for expenditure accruals	69,414
Net adjustment for other sources/uses	(45,691)
Adjustment for encumbrances	<u>133,147</u>
GAAP basis	<u><u>\$ (440,281)</u></u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 15 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2007	\$ (363,498)	\$ -
Current year set-aside requirement	143,370	143,370
Current year offsets	-	(150,871)
Current year qualifying disbursements	<u>(97,032)</u>	<u>(321,324)</u>
Total	<u><u>\$ (317,160)</u></u>	<u><u>\$ (328,825)</u></u>
Balance carried forward to FY 2009	<u><u>\$ (317,160)</u></u>	<u><u>\$ -</u></u>

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 15 - STATUTORY RESERVES - (Continued)**

The District had offsets and qualifying disbursements during the year that reduced the textbooks/instructional materials and capital maintenance set-aside amounts below zero. The negative amount for the textbooks/instructional materials set-aside is being carried forward to reduce the set-aside requirements of future years, but the negative amount for the capital maintenance set-aside is not allowed to be carried forward.

In addition to the above statutory reserves, the District also received \$5,802 in monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	<u>\$ 5,802</u>
Total restricted assets	<u><u>\$ 5,802</u></u>

**NOTE 16 - SUBSEQUENT EVENT**

On August 22, 2008, the Ohio Environmental Protection Agency (Ohio EPA) notified the District that it is required to upgrade the wastewater treatment plants and Mathews High School and Neal Middle School. The estimated cost of these upgrades would be \$359,000.

Since the District is currently weighing the option of constructing new school buildings through participation with the Ohio School Facilities Commission in the near future, the District is of the opinion that upgrading the existing wastewater treatment plants would not be cost effective. The District is currently working with the Ohio EPA in order to find the most cost effective solution in order to improve the wastewater treatment plants to meet Ohio EPA standards.

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mathews Local School District  
Trumbull County  
4434B Warren-Sharon Road NE  
Vienna, Ohio 44473

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 31, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 31, 2009



**Mary Taylor, CPA**  
Auditor of State

**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  
SEPTEMBER 1, 2009**