



Dave Yost • Auditor of State



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**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, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District changed its capitalization threshold for capital assets. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 6, 2014

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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As management of the Mathews Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- In total, net position increased during fiscal year 2013 due mainly to an increase in property tax revenue and royalties from drilling rights as well as to a decrease in the compensated absences liability. The increase in property tax revenue was the result of a 4.65 mill Emergency Levy passed by the voters in November 2012. The levy became effective in January 2013. The decrease in the compensated absences liability resulted from a negotiated decrease in the payout percentage used to calculate employee severance.
- Net capital assets increased during fiscal year 2013 due to current year additions outpacing annual depreciation. Current year additions included construction in progress, land improvements, building improvements, the purchase of cafeteria equipment and the purchase of a new school bus.
- Program expenses decreased due to lower instructional and support service expenditures resulting from a reduction in staff as well as a reduction in classified hours worked and overtime.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

***Government-wide Financial Statements*** The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Mathews Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities and operation of non-instructional services.

***Fund Financial Statements*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 School District's general governmental 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 difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Fiduciary Fund*** A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

***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.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2013 compared to 2012.



**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

**Table 1**  
 Net Position  
 Governmental Activities

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$7,107,636	\$6,616,033	\$491,603
Capital Assets, Net	2,476,143	2,361,842	114,301
<b>Total Assets</b>	<b>9,583,779</b>	<b>8,977,875</b>	<b>605,904</b>
<b>Liabilities</b>			
Current Liabilities	1,309,973	1,265,104	(44,869)
Long-Term Liabilities			
Due Within One Year	222,295	269,515	47,220
Due in More Than One Year	232,215	716,097	483,882
<b>Total Liabilities</b>	<b>1,764,483</b>	<b>2,250,716</b>	<b>486,233</b>
<b>Deferred Inflows of Resources</b>	<b>5,013,321</b>	<b>4,612,052</b>	<b>(401,269)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	2,476,143	2,361,120	115,023
Restricted for:			
Capital Projects	388,547	21,007	367,540
Other Purposes	6,515	5,972	543
Unrestricted (Deficit)	(65,230)	(272,992)	207,762
<b>Total Net Position</b>	<b>\$2,805,975</b>	<b>\$2,115,107</b>	<b>\$690,868</b>

Current assets increased due to an increase in property taxes resulting from the passage of new emergency levy which became effective in January 2013. Current assets also increased due to the collection of royalties from drilling rights. The increase in capital assets was due to current year additions to construction in progress, land improvements and building improvements as well as to the purchase of cafeteria equipment and a new school bus. The increase in net capital assets was partially offset by current year depreciation.

Current liabilities increased during fiscal year 2013 due to an increase in matured compensated absences payable resulting from additional employees retiring at year end. Long-term liabilities decreased which can be attributed to a reduction in the compensated absences liability resulting from a negotiated decrease in the payout percentage used to calculate employee severance.

**Mathews Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

Table 2 shows the changes in net position for fiscal year 2013 compared to 2012.

<b>Table 2</b>			
Governmental Activities			
	2013	2012	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$660,613	\$724,973	(\$64,360)
Operating Grants and Contributions	467,624	642,558	(174,934)
Capital Grants	30,703	0	30,703
<i>Total Program Revenues</i>	<u>1,158,940</u>	<u>1,367,531</u>	<u>(208,591)</u>
<b>General Revenues</b>			
Property Taxes	4,579,656	4,346,274	233,382
Grants and Entitlements	3,450,659	3,359,242	91,417
Investment Earnings	2,756	3,753	(997)
Gain on Sale of Capital Assets	4,000	0	4,000
Gas Royalties	354,375	0	354,375
Miscellaneous	53,561	103,075	(49,514)
<i>Total General Revenues</i>	<u>8,445,007</u>	<u>7,812,344</u>	<u>632,663</u>
<i>Total Revenues</i>	<u>9,603,947</u>	<u>9,179,875</u>	<u>424,072</u>
<b>Program Expenses</b>			
Instruction:			
Regular	4,068,999	4,288,899	219,900
Special	873,930	912,991	39,061
Vocational	83,631	107,868	24,237
Student Intervention Services	123,929	171,873	47,944
Support Services			
Pupil	410,071	451,215	41,144
Instructional Staff	185,545	237,207	51,662
Board of Education	68,931	46,874	(22,057)
Administration	819,814	805,986	(13,828)
Fiscal	351,265	346,908	(4,357)
Business	332	4,184	3,852
Operation and Maintenance of Plant	745,759	996,548	250,789
Pupil Transportation	529,225	529,216	(9)
Central	88,735	92,755	4,020
Operation of Non-Instructional Services	15,354	67,031	51,677
Operation of Food Services	307,753	223,115	(84,638)
Extracurricular Activities	239,806	204,143	(35,663)
<i>Total Program Expenses</i>	<u>8,913,079</u>	<u>9,486,813</u>	<u>573,734</u>
<i>Change in Net Position</i>	690,868	(306,938)	997,806
Net Position Beginning of Year	<u>2,115,107</u>	<u>2,422,045</u>	<u>(306,938)</u>
Net Position End of Year	<u>\$2,805,975</u>	<u>\$2,115,107</u>	<u>\$690,868</u>

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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As can be seen from Table 2, the School District relies heavily upon property taxes and foundation monies to support its operations. The School District also receives additional grant and entitlement funds to help offset operating costs.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47.69 percent of revenues for governmental activities for the School District in fiscal year 2013 versus 47.35 percent in fiscal year 2012.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teachers' salaries and benefits. Instructional expenditures decreased in fiscal year 2013 due to a reduction in certified staff. Support services, most notably operation and maintenance of plant, decreased in fiscal year 2013 due to a reduction in staff hours worked and overtime.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2013 compared to 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2013		2012	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$4,068,999	\$3,620,040	\$4,288,899	\$3,771,516
Special	873,930	643,697	912,991	555,660
Vocational	83,631	75,543	107,868	102,222
Student Intervention Services	123,929	(11,025)	171,873	69,518
Support Services:				
Pupil	410,071	410,071	451,215	450,705
Instructional Staff	185,545	184,845	237,207	203,018
Board of Education	68,931	68,931	46,874	46,874
Administration	819,814	819,814	805,986	805,986
Fiscal	351,265	351,265	346,908	346,908
Business	332	332	4,184	4,184
Operation and Maintenance of Plant	745,759	712,696	996,548	971,422
Pupil Transportation	529,225	527,125	529,216	526,732
Central	88,735	81,535	92,755	85,353
Operation of Non-Instructional Services	15,354	15,354	67,031	66,126
Operation of Food Services	307,753	69,027	223,115	(31,831)
Extracurricular Activities	239,806	184,889	204,143	144,889
Total	<u>\$8,913,079</u>	<u>\$7,754,139</u>	<u>\$9,486,813</u>	<u>\$8,119,282</u>

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through property taxes and other general revenues.

**Financial Analysis of the Government's Funds**

**Governmental Funds** Information about the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. Despite an increase in property tax revenues which took effect in January, the general fund had a decrease in fund balance as expenditures and other financing uses continued to outpace revenues.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2013, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
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For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The change was attributed mainly to increases in property taxes and intergovernmental revenue.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in estimate for instructional activities and support services.

**Capital Assets and Long-term Obligations**

*Capital Assets*

Table 4 shows fiscal 2013 balances compared to fiscal 2012.

**Table 4**  
 Capital Assets at June 30  
 Governmental Activities

	2013	2012
Land	\$359,668	\$359,668
Construction in Progress	15,000	99,574
Land Improvements	317,066	178,029
Buildings and Improvements	1,486,588	1,433,812
Furniture, Fixtures and Equipment	98,360	102,240
Vehicles	199,461	188,519
Total Capital Assets	\$2,476,143	\$2,361,842

The increase in capital assets was due to the current year additions outpacing annual depreciation. For fiscal year 2013, the primary additions included improvements to the high school septic system, roof repairs and the purchase of cafeteria equipment and a new school bus. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

*Long-term Obligations*

Table 5 below summarizes the School District's long-term obligations.

**Table 5**  
 Outstanding Long-term Obligations at June 30  
 Governmental Activities

	2013	2012
1993 EPA Asbestos Loan 0.00%	\$0	\$722
Compensated Absences	454,510	984,890
Total	\$454,510	\$985,612

The School District's overall legal debt margin was \$13,281,224 with an unvoted debt margin of \$147,569. For more information about the School District's long-term obligations, see Note 16 to the basic financial statements.

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**School District Outlook**

The School District is committed to educational progress as well as financial responsibility. However, the financial future of the School District is not without challenges. The School District faces uncertainty regarding state funding, increasing expenditures in the areas of healthcare, aging facilities and an aging bus fleet. In an effort to reduce costs, the Neal Middle School building (built in 1922) was closed at the end of fiscal year 2011. Additionally, negotiated agreements with both bargaining units included expenditure reductions for the School District in some areas.

On November 6, 2012, the voters of the School District passed a 4.65 mill Emergency Levy. The levy will generate \$680,000 per year for a five year period beginning in January 2013.

The School District remains dedicated to fiscal responsibility. The closing of the Neal Middle School building and the reduction in force effective in fiscal year 2012 were efforts taken by the School District to control expenditures. The Board of Education and administration continue to carefully plan in order to provide the resources and education required to meet student needs over the next several years.

**Contacting the School District's Financial Management Personnel**

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

**Mathews Local School District**

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,381,227
Accounts Receivable	544
Intergovernmental Receivable	49,462
Inventory Held for Resale	6,312
Materials and Supplies Inventory	28,982
Property Taxes Receivable	5,641,109
Nondepreciable Capital Assets	374,668
Depreciable Capital Assets, Net	<u>2,101,475</u>
<i>Total Assets</i>	<u>9,583,779</u>
<b>Liabilities</b>	
Accounts Payable	11,972
Accrued Wages and Benefits	646,610
Intergovernmental Payable	187,540
Matured Compensated Absences Payable	439,049
Vacation Benefits Payable	24,802
Long-Term Liabilities:	
Due Within One Year	222,295
Due In More Than One Year	<u>232,215</u>
<i>Total Liabilities</i>	<u>1,764,483</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>5,013,321</u>
<b>Net Position</b>	
Net Investment in Capital Assets	2,476,143
Restricted for:	
Capital Projects	388,547
Other Purposes	6,515
Unrestricted (Deficit)	<u>(65,230)</u>
<i>Total Net Position</i>	<u><u>\$2,805,975</u></u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,068,999	\$412,368	\$36,591	\$0	(\$3,620,040)
Special	873,930	64,485	165,748	0	(643,697)
Vocational	83,631	8,088	0	0	(75,543)
Student Intervention Services	123,929	1,276	133,678	0	11,025
Support Services:					
Pupil	410,071	0	0	0	(410,071)
Instructional Staff	185,545	0	700	0	(184,845)
Board of Education	68,931	0	0	0	(68,931)
Administration	819,814	0	0	0	(819,814)
Fiscal	351,265	0	0	0	(351,265)
Business	332	0	0	0	(332)
Operation and Maintenance of Plant	745,759	2,360	0	30,703	(712,696)
Pupil Transportation	529,225	2,100	0	0	(527,125)
Central	88,735	0	7,200	0	(81,535)
Operation of Non-Instructional Services	15,354	0	0	0	(15,354)
Operation of Food Services	307,753	115,019	123,707	0	(69,027)
Extracurricular Activities	239,806	54,917	0	0	(184,889)
<i>Totals</i>	<u>\$8,913,079</u>	<u>\$660,613</u>	<u>\$467,624</u>	<u>\$30,703</u>	<u>(7,754,139)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	4,435,235
Capital Projects	144,421
Grants and Entitlements not	
Restricted to Specific Programs	3,450,659
Investment Earnings	2,756
Gain on Sale of Capital Assets	4,000
Gas Royalties	354,375
Miscellaneous	53,561
<i>Total General Revenues</i>	<u>8,445,007</u>
Change in Net Position	690,868
<i>Net Position Beginning of Year (Restated - See Note 3)</i>	<u>2,115,107</u>
<i>Net Position End of Year</i>	<u><u>\$2,805,975</u></u>

See accompanying notes to the basic financial statements



**Mathews Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$989,265	\$391,615	\$1,380,880
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	347	0	347
Accounts Receivable	0	544	544
Intergovernmental Receivable	47,310	2,152	49,462
Interfund Receivable	700	0	700
Inventory Held for Resale	0	6,312	6,312
Materials and Supplies Inventory	27,757	1,225	28,982
Property Taxes Receivable	5,464,695	176,414	5,641,109
<i>Total Assets</i>	<u>\$6,530,074</u>	<u>\$578,262</u>	<u>\$7,108,336</u>
<b>Liabilities</b>			
Accounts Payable	\$11,589	\$383	\$11,972
Accrued Wages and Benefits	622,719	23,891	646,610
Interfund Payable	0	700	700
Intergovernmental Payable	178,617	8,923	187,540
Matured Compensated Absences Payable	439,049	0	439,049
<i>Total Liabilities</i>	<u>1,251,974</u>	<u>33,897</u>	<u>1,285,871</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,856,971	156,350	5,013,321
Unavailable Revenue	600,410	19,427	619,837
<i>Total Deferred Inflows of Resources</i>	<u>5,457,381</u>	<u>175,777</u>	<u>5,633,158</u>
<b>Fund Balances</b>			
Nonspendable	28,104	1,225	29,329
Restricted	0	378,318	378,318
Committed	21,162	0	21,162
Unassigned (Deficit)	(228,547)	(10,955)	(239,502)
<i>Total Fund Balances (Deficit)</i>	<u>(179,281)</u>	<u>368,588</u>	<u>189,307</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,530,074</u>	<u>\$578,262</u>	<u>\$7,108,336</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013*

<b>Total Governmental Fund Balances</b>	<b>\$189,307</b>
 <i>Amounts reported for governmental activities in the statement of    net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,476,143
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	607,872
Intergovernmental	11,965
Total	619,837
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(24,802)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(454,510)
<i>Net Position of Governmental Activities</i>	<b>\$2,805,975</b>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$4,382,419	\$144,724	\$4,527,143
Intergovernmental	3,451,088	497,070	3,948,158
Interest	2,526	230	2,756
Tuition and Fees	455,148	0	455,148
Extracurricular Activities	31,069	54,917	85,986
Contributions and Donations	1,257	0	1,257
Charges for Services	2,100	115,019	117,119
Rentals	2,360	0	2,360
Gas Royalties	354,375	0	354,375
Miscellaneous	38,780	14,781	53,561
<i>Total Revenues</i>	<u>8,721,122</u>	<u>826,741</u>	<u>9,547,863</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,250,676	35,065	4,285,741
Special	760,285	165,748	926,033
Vocational	91,020	0	91,020
Student Intervention Services	13,192	110,737	123,929
Support Services:			
Pupil	426,088	12,749	438,837
Instructional Staff	183,950	17,416	201,366
Board of Education	68,931	0	68,931
Administration	895,728	0	895,728
Fiscal	346,517	0	346,517
Business	332	0	332
Operation and Maintenance of Plant	796,130	0	796,130
Pupil Transportation	549,306	0	549,306
Central	81,252	7,200	88,452
Operation of Non-Instructional Services	31,363	0	31,363
Operation of Food Services	0	300,585	300,585
Extracurricular Activities	24,475	201,330	225,805
Capital Outlay	0	162,883	162,883
Debt Service:			
Principal Retirement	0	722	722
<i>Total Expenditures</i>	<u>8,519,245</u>	<u>1,014,435</u>	<u>9,533,680</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>201,877</u>	<u>(187,694)</u>	<u>14,183</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets	4,000	0	4,000
Transfers In	0	561,066	561,066
Transfers Out	(561,066)	0	(561,066)
<i>Total Other Financing Sources (Uses)</i>	<u>(557,066)</u>	<u>561,066</u>	<u>4,000</u>
<i>Net Change in Fund Balances</i>	(355,189)	373,372	18,183
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>175,908</u>	<u>(4,784)</u>	<u>171,124</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$179,281)</u>	<u>\$368,588</u>	<u>\$189,307</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** \$18,183

*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 exceeded depreciation in the current period.

Capital Asset Additions	241,242
Current Year Depreciation	<u>(126,941)</u>

Total	114,301
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	52,513
Intergovernmental	<u>(429)</u>

Total	52,084
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Repayment of loan principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net position. 722

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

Compensated Absences	530,380
Vacation Benefits Payable	<u>(24,802)</u>

Total	<u>505,578</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$690,868</u></u>
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See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$4,296,679	\$4,381,275	\$4,381,275	\$0
Intergovernmental	3,351,924	3,415,663	3,415,743	80
Interest	2,599	2,650	2,526	(124)
Tuition and Fees	433,697	442,236	442,236	0
Charges for Services	2,059	2,100	2,100	0
Rentals	1,775	1,810	2,360	550
Gas Royalties	354,375	354,375	354,375	0
Miscellaneous	35,585	43,102	43,697	595
<i>Total Revenues</i>	<u>8,478,693</u>	<u>8,643,211</u>	<u>8,644,312</u>	<u>1,101</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,941,519	4,050,610	4,023,549	27,061
Special	700,952	720,352	711,269	9,083
Vocational	88,691	91,146	90,140	1,006
Student Intervention Services	18,009	18,507	13,192	5,315
Support Services:				
Pupil	426,210	438,006	429,092	8,914
Instructional Staff	155,382	159,683	151,548	8,135
Board of Education	72,515	74,522	71,443	3,079
Administration	797,548	819,622	808,247	11,375
Fiscal	334,233	343,483	340,592	2,891
Business	2,030	2,086	1,281	805
Operation and Maintenance of Plant	1,130,992	1,162,295	832,283	330,012
Pupil Transportation	539,783	554,722	540,574	14,148
Central	83,985	86,309	82,423	3,886
Extracurricular Activities	24,475	24,475	24,475	0
<i>Total Expenditures</i>	<u>8,316,324</u>	<u>8,545,818</u>	<u>8,120,108</u>	<u>425,710</u>
<i>Excess of Revenues Over Expenditures</i>	<u>162,369</u>	<u>97,393</u>	<u>524,204</u>	<u>426,811</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	4,000	4,000	4,000	0
Advances Out	(700)	(700)	(700)	0
Transfers Out	(715,730)	(736,236)	(732,201)	4,035
<i>Total Other Financing Sources (Uses)</i>	<u>(712,430)</u>	<u>(732,936)</u>	<u>(728,901)</u>	<u>4,035</u>
<i>Net Change in Fund Balance</i>	(550,061)	(635,543)	(204,697)	430,846
<i>Fund Balance Beginning of Year</i>	681,256	681,256	681,256	0
Prior Year Encumbrances Appropriated	220,909	220,909	220,909	0
<i>Fund Balance End of Year</i>	<u>\$352,104</u>	<u>\$266,622</u>	<u>\$697,468</u>	<u>\$430,846</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$23,194</u>
<b>Liabilities</b>	
Due to Students	<u>\$23,194</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 - Description of the School District**

Mathews Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by 61 certified employees and 37 classified employees who provide services to 809 students and other community members.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District is associated with two jointly governed organizations and a shared risk pool. These organizations are the Northeast Ohio Management Information Network, the Trumbull County Career and Technical Center and the Trumbull County Schools Employee Insurance Benefit Consortium. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

***Basis of Presentation***

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

**Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

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

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not



**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

***Measurement Focus***

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, 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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8) 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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, and fees and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificates that were in effect at the time when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

***Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District had no investments during the fiscal year or at fiscal year end.

During fiscal year 2013, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$2,526, of which \$551 was assigned from other School District funds.

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

***Inventory***

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund represent unclaimed monies.

***Capital Assets***

All capital assets of the School District are general capital assets. 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 position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 - 10 years

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

***Fund Balance***

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

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

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

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. Net position restricted for other purposes include resources restricted for instruction, support services, operation of non-instructional services, food service operations and extracurricular activities.

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

***Estimates***

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 3 – Change in Accounting Principles and Restatement of Prior Year Net Position**

***Change in Accounting Principles***

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units’ presentation and certain disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

***Restatement of Prior Year Net Position***

During fiscal year 2013, the School District revised its Board policy on capitalization threshold resulting in an overstatement of capital assets at June 30, 2012. The capitalization threshold was changed from \$300 to \$5,000. This change in School District policy decreased total net position by \$974,674 at June 30, 2012 from \$3,089,781 to \$2,115,107.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>			
Inventory	\$27,757	\$1,225	\$28,982
Unclaimed Monies	347	0	347
<b><i>Total Nonspendable</i></b>	<b>28,104</b>	<b>1,225</b>	<b>29,329</b>
<b><i>Restricted for</i></b>			
Scholarships	0	5,972	5,972
Special Education Programs	0	3,079	3,079
Instructional Services	0	147	147
Capital Improvements	0	369,120	369,120
<b><i>Total Restricted</i></b>	<b>0</b>	<b>378,318</b>	<b>378,318</b>
<b><i>Committed to</i></b>			
Building Operation and Maintenance	21,162	0	21,162
<b><i>Unassigned (Deficit)</i></b>	<b>(228,547)</b>	<b>(10,955)</b>	<b>(239,502)</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>(\$179,281)</b>	<b>\$368,588</b>	<b>\$189,307</b>

**Note 5 – Fund Deficits**

Fund balances at June 30, 2013, included the following individual fund deficits:

<b>General Fund</b>	\$179,281
<b><i>Special Revenue Funds:</i></b>	
Food Service	10,590
Athletics	365

Management is currently analyzing the general fund to determine appropriate steps to alleviate the deficit.

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in the special revenue funds and provides transfers when cash is required, not when accruals occur.



**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 6 - Budgetary Basis of Accounting**

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the uniform school supply, public school support and termination benefits special revenue funds are classified to the general fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$355,189)
Revenue Accruals	142,609
Expenditure Accruals	(223,540)
Advance Out	(700)
Prospective Difference:	
Uniform School Supply	14
Public School Support	3,637
Termination Benefits	278,627
Encumbrances	(50,155)
Budget Basis	<u><u>(\$204,697)</u></u>

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 7 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,118,671 of the School District's bank balance of \$1,431,618 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

As of June 30, 2013, the School District had STAR Ohio as the only investment with an amount of \$10,164 and a maturity of 57.5 days.

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

***Concentration of Credit Risk.*** The School District places no limit on the amount it may invest in any one issuer.

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$19,279 in the general fund and \$637 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$22,849 in the general fund and \$842 in the permanent improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$142,452,960	96.46%	\$141,893,190	96.15%
Public Utility Personal	5,230,070	3.54	5,675,960	3.85
Total	\$147,683,030	100.00%	\$147,569,150	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$51.45		\$56.10	

On November 6, 2012, the residents of the School District approved a 4.65 mill additional emergency levy to provide for the emergency requirements of the School District. Tax revenue from this levy was received beginning in January 2013.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 9 - Receivables**

Receivables at June 30, 2013, consisted of accounts, taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Bureau of Workers' Compensation Refund	\$28,559
SERS Overpayment Refund	11,965
State Foundation Bridge Adjustment	7,754
Resident Educator Grant	700
Medicaid Reimbursement	484
Total	<u><u>\$49,462</u></u>

**Note 10 - Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

***Litigation***

The School District is not party to legal proceedings as of June 30, 2013.

***Lease***

The Board of Education has entered into a "Paid-Up" Oil and Gas Lease effective April 1, 2012 and continuing through April 1, 2017 with BP America Production Company. In consideration of the execution of the leases, the School District received bonuses of \$354,375 during fiscal year 2013. The School District has a total of 90.8654 acres subject to the lease provisions which call for payments to the lessor, in addition to the bonus, royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 17.50 percent for oil or gas. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 11 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Restated Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$359,668	\$0	\$0	\$359,668
Construction in Progress	99,574	15,000	(99,574)	15,000
<i>Total Nondepreciable Capital Assets</i>	<u>459,242</u>	<u>15,000</u>	<u>(99,574)</u>	<u>374,668</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	667,462	162,169	0	829,631
Buildings and Improvements	2,982,885	107,087	0	3,089,972
Furniture, Fixtures and Equipment	301,557	7,610	(20,216)	288,951
Vehicles	794,778	48,950	(104,469)	739,259
<i>Total Capital Assets being Depreciated</i>	<u>4,746,682</u>	<u>325,816</u>	<u>(124,685)</u>	<u>4,947,813</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(489,433)	(23,132)	0	(512,565)
Buildings and Improvements	(1,549,073)	(54,311)	0	(1,603,384)
Furniture, Fixtures and Equipment	(199,317)	(11,490)	20,216	(190,591)
Vehicles	(606,259)	(38,008)	104,469	(539,798)
<i>Total Accumulated Depreciation</i>	<u>(2,844,082)</u>	<u>(126,941) *</u>	<u>124,685</u>	<u>(2,846,338)</u>
<i>Total Assets being Depreciated, Net</i>	<u>1,902,600</u>	<u>198,875</u>	<u>0</u>	<u>2,101,475</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$2,361,842</u>	<u>\$213,875</u>	<u>(\$99,574)</u>	<u>\$2,476,143</u>

\*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$27,620
Special	2,892
Support Services:	
Pupil	1,622
Instructional Staff	2,683
Administration	895
Operation and Maintenance of Plant	26,756
Pupil Transportation	43,707
Central	283
Food Service Operation	6,482
Extracurricular Activities	14,001
Total Depreciation Expense	<u>\$126,941</u>

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 12 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with Ohio School Plan for property and liability insurance.

Type of Coverage	Coverage Amount
Building and Contents (\$1,000 deductible)	\$24,920,803
Money and Securities/ in and out non-employee (\$1,000 deductible)	10,000
Employee Dishonesty (\$1,000 deductible)	25,000
Automobile Liability (\$1,000 deductible)	4,000,000
Auto Medical Payments	5,000
Uninsured/Under Insured Motorists	1,000,000
General Liability	
Per Occurrence (no deductible)	4,000,000
Total per Year	6,000,000
Employer's Liability (\$1,000 deductible)	
Per Occurrence	4,000,000
Total per Year	4,000,000
Educational Legal Liability	
Per Occurrence (\$1,000 deductible)	4,000,000
Total per Year	6,000,000

***Employee Health Benefits***

The School District has contracted with the Trumbull County Schools Employee Insurance Benefit Consortium to provide employee medical/surgical/prescription drug and vision benefits. The Trumbull County Schools Employee Insurance Benefit Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. Employees can choose between two different medical/surgical/prescription plans. The School District pays medical/surgical/prescription drug premiums of \$1,313 for family coverage and \$505 for single coverage per employee per month for the first option. The School District pays medical/surgical/prescription drug premiums of \$1,117 for family coverage and \$429 for single coverage per employee per month for the second option. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments. The School District provides dental coverage through Coresource which is not paid through the Trumbull County School Employee Insurance Benefits Consortium.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Worker's Compensation***

The School District pays the Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 13 - Pension Plans**

***School Employees Retirement System***

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$133,906, \$139,442 and \$151,923, respectively. For fiscal year 2013, 70.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 multiplied by 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 DB Plan and the DC 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



**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$458,725 and \$6,413 for the fiscal year ended June 30, 2013, \$497,732 and \$6,958 for the fiscal year ended June 30, 2012, and \$517,124 and \$7,229 for the fiscal year ended June 30, 2011. For fiscal year 2013, 86.25 percent has been contributed for the DB plan and 86.25 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$1,032 made by the School District and \$737 made by the plan members. In addition, member contributions of \$4,581 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

***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. As of June 30, 2013, three members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 14 - Postemployment Benefits**

***School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
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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 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$15,345 in surcharge.

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 School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$16,980, \$28,319 and \$41,240, respectively. For fiscal year 2013, 70.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011, were \$7,564, \$8,235 and \$9,777, respectively. For fiscal year 2013, 70.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$35,287, \$38,287 and \$39,779, respectively. For fiscal year 2013, 86.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**Note 15 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Accumulated, unused vacation is not paid out to employees upon termination of employment. Teachers do not earn vacation.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. As of August 31, 2011, employees with 30 or more years of service can accumulate an unlimited number of sick days. As of August 31, 2011, employees with less than 30 years of service can accumulate up to a maximum of 366 sick days. Certificated and classified employees with ten years or more of service upon retirement receive payment for accumulated sick days. The payment is calculated based on the following formula: employee's final contracted salary x 0.00125 x the number of accumulated sick days.

***Life Insurance Benefits***

The School District provides life insurance to all employees through ReliaStar Life Insurance Company. Certificated employees receive term life insurance in the amount of \$40,000. Classified employees who work 15 hours or more per week receive term life insurance in the amount of \$50,000. Classified employees working less than 15 hours per week and hired prior to July 1, 2006 receive term life insurance in the amount of \$35,000. Classified employees working less than 15 hours per week and hired after July 1, 2006 do not receive life insurance benefits. Premiums are paid by the School District.

**Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due in One Year
1993 Asbestos Loan 0.00%	\$722	\$0	\$(722)	\$0	\$0
Compensated Absences	984,890	158,261	(688,641)	454,510	222,295
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$985,612</u>	<u>\$158,261</u>	<u>(\$689,363)</u>	<u>\$454,510</u>	<u>\$222,295</u>

On April 16, 1993, the School District obtained an interest free loan in the amount of \$233,300 for the purpose of providing asbestos removal for the School District. The loan was issued for a twenty year period and was retired in fiscal year 2013. This loan was paid from the permanent improvement fund.

Compensated absences will be paid from the general fund and the food service and title I special revenue funds. The compensated absences liability decreased significantly in fiscal year 2013 due to a negotiated decrease in the payout percentage used to calculate employee severance.

The School District's overall debt margin was \$13,281,224 with an unvoted debt margin of \$147,569 at June 30, 2013.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 17 - Interfund Transfers and Balances**

***Interfund Transfers***

The general fund transferred \$68,000 and \$138,691, respectively, to the food service and athletics special revenue funds to provide funding for programs. The general fund transferred \$354,375 in gas royalties to the permanent improvement fund to provide for future capital improvements.

***Interfund Balances***

Interfund balances at June 30, 2013, consist of an interfund receivable and payable between the general fund and the race to the top special revenue fund in the amount of \$700. This loan was made to support programs pending the receipt of grant money that will be used to repay the loan. This loan is expected to be repaid in one year.

**Note 18 - Jointly Governed Organizations**

***Northeast Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$28,364 to NEOMIN during fiscal year 2013.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The School District was not represented on the Governing Board during fiscal year 2013. 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.

***Trumbull County Career and Technical Center*** The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

**Note 19 – Shared Risk Pool**

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 20 - Set-Aside Calculations**

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	143,180
Current Year Offsets	(175,631)
Qualifying Disbursements	(186,499)
Total	(\$218,950)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2013	\$0

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

**Note 21 – Significant Commitments**

***Contractual Commitments***

As of June 30, 2013 the School District had a contractual construction commitment outstanding with R.T. Vernal Paving and Excavating. The total contract amount of \$229,949 remained outstanding at June 30, 2013.

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$50,155
Other Governmental Funds	235,394
Total	\$285,549

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2014, wherein we noted the District has adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 6, 2014





# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Mathews Local School District  
Trumbull County  
4434-B Warren Sharon Rd.  
Vienna, Ohio 44473

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 16, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school vehicle" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 6, 2014

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# Dave Yost • 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  
MARCH 20, 2014**