



Dave Yost • Auditor of State

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - June 30, 2017	13
Statement of Activities - For the Fiscal Year Ended June 30, 2017	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.-June 30, 2017	15
Reconciliation of Total Government Fund Balances to Net Position of Governmental Activities.- June 30, 2017	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - For the Fiscal Year Ended June 30, 2017	17
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, 2017	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non GAAP Basis) and Actual - General Fund For the Fiscal Year Ended June 30, 2017	19
Statement of Fiduciary Assets and Liabilities – Agency Funds – June 30, 2017	20
Notes to the Basic Financial Statements	21
Required Supplementary Information	R1
Schedule of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System (SERS) of Ohio	R2
State Teachers Retirement System (STRS) of Ohio.....	R3
Schedule of District Contributions	
School Employees Retirement System (SERS) of Ohio	R4
State Teachers Retirement System (STRS) of Ohio.....	R6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mathews Local School District
Trumbull County
4096 Cadwallander Sonk Rd.
Cortland, Ohio 44410

To the Board of Education:

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, 2017, 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, 2017, 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.

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*, and schedules of net pension liabilities and pension contributions 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 December 11, 2017, 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

December 11, 2017

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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, 2017. 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 2017 due to increases in cash from revenues outpacing expenses. These were offset by the increase in the net pension liability attributable to the School District.
- Net capital assets decreased during fiscal year 2017 due to annual depreciation outpacing current year additions. Current year additions included land improvements, building improvements and equipment.
- The School District complies with GASB 68, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure.
- The School District's enrollment decreased from 718 students in fiscal year 2016 to 693 students in fiscal year 2017. Certified staff increased from 63 in fiscal year 2016 to 66 in fiscal year 2017.

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).

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.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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 other 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 funds are the general fund and the permanent improvement capital projects 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 2017 compared to 2016.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 1
 Net Position
 Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$10,521,869	\$9,987,000	\$534,869
Capital Assets, Net	2,689,345	2,770,639	(81,294)
<i>Total Assets</i>	<u>13,211,214</u>	<u>12,757,639</u>	<u>453,575</u>
Deferred Outflows of Resources	<u>2,225,498</u>	<u>1,021,891</u>	<u>1,203,607</u>
Liabilities			
Current Liabilities	914,937	939,644	24,707
Long-Term Liabilities			
Due Within One Year	49,445	24,534	(24,911)
Due in More Than One Year			
Net Pension Liability	12,409,081	10,723,492	(1,685,589)
Other Amounts	345,160	397,245	52,085
<i>Total Liabilities</i>	<u>13,718,623</u>	<u>12,084,915</u>	<u>(1,633,708)</u>
Deferred Inflows of Resources			
Property Taxes	5,097,531	5,103,911	6,380
Pension	530,795	784,214	253,419
<i>Total Deferred Inflows of Resources</i>	<u>5,628,326</u>	<u>5,888,125</u>	<u>259,799</u>
Net Position			
Net Investment in Capital Assets	2,663,565	2,738,194	(74,629)
Restricted for:			
Capital Projects	1,402,426	1,283,739	118,687
Other Purposes	50,919	96,311	(45,392)
Unrestricted (Deficit)	<u>(8,027,147)</u>	<u>(8,311,754)</u>	<u>284,607</u>
<i>Total Net Position</i>	<u><u>(\$3,910,237)</u></u>	<u><u>(\$4,193,510)</u></u>	<u><u>\$283,273</u></u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Current assets increased due to an increase in cash balances as revenues continued to outpace expenses. The decrease in capital assets was due to current year additions of land improvements, building improvement and equipment being offset by current year depreciation.

Current liabilities decreased during fiscal year 2017 due to a decrease in accrued wages and accounts payable that was offset by an increase in intergovernmental payables. Long-term liabilities increased which can be attributed to an increase in the net pension liability which was slightly offset by a decrease in the compensated absences liability resulting from employee retirements in fiscal year 2017.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2 shows the changes in net position for fiscal year 2017 compared to 2016.

Table 2			
Governmental Activities			
	2017	2016	Change
Program Revenues			
Charges for Services and Sales	\$757,387	\$796,097	(\$38,710)
Operating Grants and Contributions	808,386	851,700	(43,314)
Capital Grants	21,371	21,504	(133)
<i>Total Program Revenues</i>	<u>1,587,144</u>	<u>1,669,301</u>	<u>(82,157)</u>
General Revenues			
Property Taxes	4,977,916	5,131,237	(153,321)
Grants and Entitlements	3,300,975	3,409,969	(108,994)
Unrestricted Contributions	4,100	116	3,984
Investment Earnings	29,238	15,341	13,897
Gain on Sale of Capital Assets	0	1,100	(1,100)
Miscellaneous	19,281	47,537	(28,256)
<i>Total General Revenues</i>	<u>8,331,510</u>	<u>8,605,300</u>	<u>(273,790)</u>
<i>Total Revenues</i>	<u>9,918,654</u>	<u>10,274,601</u>	<u>(355,947)</u>
Program Expenses			
Instruction:			
Regular	4,492,143	4,243,831	(248,312)
Special	1,156,780	1,025,371	(131,409)
Vocational	8,163	7,616	(547)
Student Intervention Services	280,726	176,699	(104,027)
Support Services			
Pupil	460,936	465,097	4,161
Instructional Staff	262,447	272,262	9,815
Board of Education	50,482	60,484	10,002
Administration	858,237	707,922	(150,315)
Fiscal	327,591	338,125	10,534
Operation and Maintenance of Plant	763,492	691,719	(71,773)
Pupil Transportation	424,038	450,429	26,391
Central	353	6,408	6,055
Operation of Non-Instructional Services	0	3,332	3,332
Operation of Food Services	281,721	285,382	3,661
Extracurricular Activities	266,976	265,268	(1,708)
Interest and Fiscal Charges	1,296	756	(540)
<i>Total Program Expenses</i>	<u>\$9,635,381</u>	<u>\$9,000,701</u>	<u>(\$634,680)</u>
<i>Change in Net Position</i>	283,273	1,273,900	(990,627)
Net Position Beginning of Year	<u>(4,193,510)</u>	<u>(5,467,410)</u>	1,273,900
Net Position End of Year	<u><u>(\$3,910,237)</u></u>	<u><u>(\$4,193,510)</u></u>	<u><u>\$283,273</u></u>

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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 50.19 percent of revenues for governmental activities for the School District in fiscal year 2017 versus 49.94 percent in fiscal year 2016.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teachers' salaries and benefits. Instructional expenses increased in fiscal year 2017 due to new teachers beginning to move through the salary scale and beginning to accrue leave balances. Support services, most notably administration increased as a result of the School District utilizing the Trumbull County ESC.

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 2017 compared to 2016. 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, 2017
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$4,492,143	\$3,952,855	\$4,243,831	\$3,651,761
Special	1,156,780	696,641	1,025,371	588,276
Vocational	8,163	5,618	7,616	6,340
Student Intervention Services	280,726	43,302	176,699	(95,255)
Support Services:				
Pupil	460,936	460,936	465,097	465,097
Instructional Staff	262,447	255,247	272,262	265,062
Board of Education	50,482	50,482	60,484	60,484
Administration	858,237	858,237	707,922	707,922
Fiscal	327,591	327,591	338,125	338,125
Operation and Maintenance of Plant	763,492	734,256	691,719	663,560
Pupil Transportation	424,038	421,893	450,429	448,119
Central	353	353	6,408	6,408
Operation of Non-Instructional Services	0	0	3,332	3,332
Operation of Food Services	281,721	29,251	285,382	10,793
Extracurricular Activities	266,976	210,279	265,268	210,620
Interest and Fiscal Charges	1,296	1,296	756	756
Total	\$9,635,381	\$8,048,237	\$9,000,701	\$7,331,400

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 with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance despite a decrease in revenues and an increase in expenditures as revenues continued to outpace expenditures. The permanent improvement fund had an increase in fund balance as revenues continued to outpace expenditures. The administration actively works to ensure positive fund balances while providing the programs desired by the students of the School District.

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 2017, 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, 2017
Unaudited

For the general fund, the final budget basis revenue estimate was lower than the original budget estimate. The change was attributed mainly to decreases in estimates for property taxes and intergovernmental revenue, as funding levels became more apparent.

The final budget appropriations were higher than the original budget appropriations of the general fund. This change was attributed to overall increases in expenditures, as a more accurate picture of the fiscal year was realized.

Total actual expenditures on the budget basis were less than final budgeted amounts. This is largely attributable to the School District's cost cutting measures.

Capital Assets and Long-term Obligations

Capital Assets

Table 4 shows fiscal 2017 balances compared to fiscal 2016.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2017	2016
Land	\$332,491	\$332,491
Construction in Progress	0	17,195
Land Improvements	539,814	540,386
Buildings and Improvements	1,454,854	1,466,330
Furniture, Fixtures and Equipment	157,560	163,246
Vehicles	204,626	250,991
Total Capital Assets	\$2,689,345	\$2,770,639

The decrease in capital assets was due to the current year deletions and annual depreciation outpacing current year additions. For fiscal year 2017, primary additions included land improvements, building improvements and equipment. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Long-term Obligations

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

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

	2017	2016
Net Pension Liability	\$12,409,081	\$10,723,492
Capital Lease	25,780	32,445
Compensated Absences	368,825	389,334
Total	\$12,803,686	\$11,145,271

The School District's overall legal debt margin was \$13,905,991 with an unvoted debt margin of \$154,511. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

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, potential expenditure increases in healthcare, aging facilities with areas that will need addressed as well as continual maintenance/replacement of the bus fleet to prevent returning to an aged status. The School District is committed to maintaining focus on education while providing value and accountability for tax dollars spent.

In November 2012, the voters of the School District passed a 4.65 mill Emergency Levy. The levy generates \$680,000 per year for a five year period. In November 2013, voters renewed a Permanent Improvement Levy for 2.0 mills that generates approximately \$179,904 per year for a five year period and a 9.25 mill renewal Operating Levy also for five years that generates approximately \$1,365,015 per year. A bond issue/continual permanent improvement levy was placed on the ballot in May 2014 to construct a new K-12 facility but was defeated. In November 2014, voters renewed an operating levy for 7.8 mills that will generate approximately \$1,153,525 per year for a five year period. In March 2016, voters renewed a 4.55 mill Emergency Levy. The levy generates \$680,000 per year for a five year period commencing in 2017.

The School District remains dedicated to fiscal responsibility. 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 citizens, 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 Ryan Jones, Treasurer, Mathews Local School District, 4096 Cadwallader Sonk Rd. Cortland Ohio 44410.

Basic Financial Statements

Mathews Local School District

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,642,745
Accounts Receivable	5,377
Intergovernmental Receivable	145,591
Prepaid Items	11,066
Inventory Held for Resale	10,626
Materials and Supplies Inventory	10,806
Property Taxes Receivable	5,695,658
Nondepreciable Capital Assets	332,491
Depreciable Capital Assets, Net	<u>2,356,854</u>
<i>Total Assets</i>	<u>13,211,214</u>
Deferred Outflows of Resources	
Pension	<u>2,225,498</u>
Liabilities	
Accounts Payable	18,205
Accrued Wages and Benefits	646,574
Intergovernmental Payable	148,803
Matured Compensated Absences Payable	78,482
Vacation Benefits Payable	22,873
Long-Term Liabilities:	
Due Within One Year	49,445
Due In More Than One Year	
Net Pension Liability (See Note 12)	12,409,081
Other Amounts	<u>345,160</u>
<i>Total Liabilities</i>	<u>13,718,623</u>
Deferred Inflows of Resources	
Property Taxes	5,097,531
Pension	<u>530,795</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,628,326</u>
Net Position	
Net Investment in Capital Assets	2,663,565
Restricted for:	
Capital Projects	1,402,426
Unclaimed Monies	367
Other Purposes	50,552
Unrestricted (Deficit)	<u>(8,027,147)</u>
<i>Total Net Position</i>	<u><u>(\$3,910,237)</u></u>

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$4,492,143	\$493,465	\$45,823	\$0	(\$3,952,855)
Special	1,156,780	105,068	355,071	0	(696,641)
Vocational	8,163	853	1,692	0	(5,618)
Student Intervention Services	280,726	1,044	236,380	0	(43,302)
Support Services:					
Pupil	460,936	0	0	0	(460,936)
Instructional Staff	262,447	0	7,200	0	(255,247)
Board of Education	50,482	0	0	0	(50,482)
Administration	858,237	0	0	0	(858,237)
Fiscal	327,591	0	0	0	(327,591)
Operation and Maintenance of Plant	763,492	7,865	0	21,371	(734,256)
Pupil Transportation	424,038	0	2,145	0	(421,893)
Central	353	0	0	0	(353)
Operation of Food Services	281,721	94,898	157,572	0	(29,251)
Extracurricular Activities	266,976	54,194	2,503	0	(210,279)
Interest and Fiscal Charges	1,296	0	0	0	(1,296)
<i>Totals</i>	<u>\$9,635,381</u>	<u>\$757,387</u>	<u>\$808,386</u>	<u>\$21,371</u>	<u>(8,048,237)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	4,826,535
Capital Projects	151,381
Grants and Entitlements not	
Restricted to Specific Programs	3,300,975
Unrestricted Contributions	4,100
Investment Earnings	29,238
Miscellaneous	19,281
<i>Total General Revenues</i>	<u>8,331,510</u>
Change in Net Position	283,273
<i>Net Position Beginning of Year</i>	<u>(4,193,510)</u>
<i>Net Position End of Year</i>	<u>(\$3,910,237)</u>

See accompanying notes to the basic financial statements

Mathews Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,246,514	\$1,078,761	\$317,103	\$4,642,378
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	367	0	0	367
Accounts Receivable	5,377	0	0	5,377
Intergovernmental Receivable	60,773	0	84,818	145,591
Interfund Receivable	10,159	0	0	10,159
Prepaid Items	10,142	0	924	11,066
Inventory Held for Resale	0	0	10,626	10,626
Materials and Supplies Inventory	9,235	0	1,571	10,806
Property Taxes Receivable	5,521,733	173,925	0	5,695,658
<i>Total Assets</i>	<u>\$8,864,300</u>	<u>\$1,252,686</u>	<u>\$415,042</u>	<u>\$10,532,028</u>
Liabilities				
Accounts Payable	\$18,205	\$0	\$0	\$18,205
Accrued Wages and Benefits	604,394	0	42,180	646,574
Interfund Payable	0	0	10,159	10,159
Intergovernmental Payable	142,436	0	6,367	148,803
Matured Compensated Absences Payable	78,482	0	0	78,482
<i>Total Liabilities</i>	<u>843,517</u>	<u>0</u>	<u>58,706</u>	<u>902,223</u>
Deferred Inflows of Resources				
Property Taxes	4,941,486	156,045	0	5,097,531
Unavailable Revenue	551,685	17,000	50,170	618,855
<i>Total Deferred Inflows of Resources</i>	<u>5,493,171</u>	<u>173,045</u>	<u>50,170</u>	<u>5,716,386</u>
Fund Balances				
Nonspendable	19,744	0	2,495	22,239
Restricted	0	1,079,641	314,271	1,393,912
Assigned	69,939	0	0	69,939
Unassigned (Deficit)	2,437,929	0	(10,600)	2,427,329
<i>Total Fund Balances</i>	<u>2,527,612</u>	<u>1,079,641</u>	<u>306,166</u>	<u>3,913,419</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,864,300</u>	<u>\$1,252,686</u>	<u>\$415,042</u>	<u>\$10,532,028</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, 2017*

Total Governmental Fund Balances	\$3,913,419
 <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.	2,689,345
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	568,685
Intergovernmental	<u>50,170</u>
Total	618,855
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(22,873)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred Outflows - Pension	2,225,498
Deferred Inflows - Pension	(530,795)
Net Pension Liability	<u>(12,409,081)</u>
Total	(10,714,378)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Capital Leases	(25,780)
Compensated Absences	<u>(368,825)</u>
Total	<u>(394,605)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>(\$3,910,237)</u></u>

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, 2017

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$4,905,023	\$153,920	\$0	\$5,058,943
Intergovernmental	3,508,271	21,371	637,345	4,166,987
Interest	18,515	7,412	3,311	29,238
Tuition and Fees	564,027	0	0	564,027
Extracurricular Activities	36,403	0	54,194	90,597
Contributions and Donations	4,100	0	2,000	6,100
Charges for Services	0	0	94,898	94,898
Rentals	7,865	0	0	7,865
Miscellaneous	11,999	0	7,282	19,281
<i>Total Revenues</i>	<u>9,056,203</u>	<u>182,703</u>	<u>799,030</u>	<u>10,037,936</u>
Expenditures				
Current:				
Instruction:				
Regular	4,331,325	0	52,874	4,384,199
Special	971,189	0	162,751	1,133,940
Vocational	7,899	0	0	7,899
Student Intervention Services	9,662	0	262,493	272,155
Support Services:				
Pupil	459,311	0	0	459,311
Instructional Staff	270,457	0	7,200	277,657
Board of Education	49,249	0	0	49,249
Administration	819,588	0	0	819,588
Fiscal	315,622	0	0	315,622
Operation and Maintenance of Plant	662,630	0	3,850	666,480
Pupil Transportation	360,200	0	0	360,200
Central	0	0	239	239
Operation of Food Services	6,266	0	267,124	273,390
Extracurricular Activities	31,500	0	220,894	252,394
Capital Outlay	0	64,788	0	64,788
Debt Service:				
Principal Retirement	6,665	0	0	6,665
Interest and Fiscal Charges	1,296	0	0	1,296
<i>Total Expenditures</i>	<u>8,302,859</u>	<u>64,788</u>	<u>977,425</u>	<u>9,345,072</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>753,344</u>	<u>117,915</u>	<u>(178,395)</u>	<u>692,864</u>
Other Financing Sources (Uses)				
Transfers In	0	0	170,000	170,000
Transfers Out	(170,000)	0	0	(170,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(170,000)</u>	<u>0</u>	<u>170,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	583,344	117,915	(8,395)	692,864
<i>Fund Balances Beginning of Year</i>	<u>1,944,268</u>	<u>961,726</u>	<u>314,561</u>	<u>3,220,555</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,527,612</u></u>	<u><u>\$1,079,641</u></u>	<u><u>\$306,166</u></u>	<u><u>\$3,913,419</u></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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$692,864

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

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

Capital Asset Additions	84,052
Current Year Depreciation	<u>(165,346)</u>

Total	(81,294)
-------	----------

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

Delinquent Property Taxes	(81,027)
Intergovernmental	<u>(38,255)</u>

Total	(119,282)
-------	-----------

Repayment of principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position. 6,665

Contractually required contributions are reported as expenditures in governmental funds; however,
the statement of net position reports these amounts as deferred outflows. 607,434

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are
reported as pension expense in the statement of activities. (835,997)

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	20,509
Vacation Benefits Payable	<u>(7,626)</u>

Total	<u>12,883</u>
-------	---------------

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$283,273</u></u>
--	-------------------------

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$4,930,541	\$4,890,442	\$4,890,442	\$0
Intergovernmental	3,528,983	3,500,283	3,473,757	(26,526)
Interest	15,224	15,100	20,243	5,143
Tuition and Fees	551,992	547,503	539,776	(7,727)
Contributions and Donations	4,134	4,100	4,100	0
Charges for Services	100	100	0	(100)
Rentals	7,360	7,300	7,865	565
Miscellaneous	5,848	5,800	5,817	17
<i>Total Revenues</i>	<u>9,044,182</u>	<u>8,970,628</u>	<u>8,942,000</u>	<u>(28,628)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,142,848	4,239,482	4,230,839	8,643
Special	940,231	962,163	961,359	804
Vocational	7,667	7,846	6,774	1,072
Student Intervention Services	9,644	9,869	9,673	196
Support Services:				
Pupil	458,314	469,005	469,005	0
Instructional Staff	256,224	262,201	262,201	0
Board of Education	63,485	64,966	64,966	0
Administration	816,350	835,392	835,392	0
Fiscal	317,679	325,089	325,089	0
Operation and Maintenance of Plant	686,088	702,092	702,092	0
Pupil Transportation	366,594	375,144	375,144	0
Extracurricular Activities	31,500	31,500	31,500	0
Debt Service:				
Principal Retirement	6,665	6,665	6,665	0
Interest and Fiscal Charges	1,296	1,296	1,296	0
<i>Total Expenditures</i>	<u>8,104,585</u>	<u>8,292,710</u>	<u>8,281,995</u>	<u>10,715</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>939,597</u>	<u>677,918</u>	<u>660,005</u>	<u>(17,913)</u>
Other Financing Sources (Uses)				
Advances In	52,191	52,191	58,721	6,530
Advances Out	(73,412)	(47,659)	(47,659)	0
Transfers Out	(250,271)	(185,000)	(185,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(271,492)</u>	<u>(180,468)</u>	<u>(173,938)</u>	<u>6,530</u>
<i>Net Change in Fund Balance</i>	668,105	497,450	486,067	(11,383)
<i>Fund Balance Beginning of Year</i>	2,497,871	2,497,871	2,497,871	0
Prior Year Encumbrances Appropriated	111,551	111,551	111,551	0
<i>Fund Balance End of Year</i>	<u>\$3,277,527</u>	<u>\$3,106,872</u>	<u>\$3,095,489</u>	<u>(\$11,383)</u>

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2017

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$27,013</u></u>
--	------------------------

Liabilities

Due to Students	<u><u>\$27,013</u></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, 2017

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 66 certified employees and 38 classified employees who provide services to 693 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 Career and Technical Center and the Trumbull County School Employees 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, 2017

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.

Permanent Improvement Fund The permanent improvement fund is used to account and report for restricted property taxes for the acquisition or construction of major capital facilities.

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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 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 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 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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 represent 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

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, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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.

During fiscal year 2017, investments were limited to STAR Ohio, a money market mutual fund and negotiable certificates of deposits. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$18,515, none of which was assigned from other School District funds.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

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 appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition 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, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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, net pension liability 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.

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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. The School District has no committed fund balances.

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. The Board of Education assigned fund balance was for extracurricular activities.

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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

Note 3 – Fund Deficits

Fund balances at June 30, 2017, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Food Service	\$6,278
Title I	4,322

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.

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:

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Balances	General	Permanent Improvement	Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$9,235	0	\$1,571	\$10,806
Prepaid	10,142	0	924	11,066
Unclaimed Monies	367	0	0	367
<i>Total Nonspendable</i>	19,744	0	2,495	22,239
<i>Restricted for</i>				
Scholarships	0	0	4,473	4,473
Athletics	0	0	3,251	3,251
Instructional Services	0	0	762	762
Capital Improvements	0	1,079,641	305,785	1,385,426
<i>Total Restricted</i>	0	1,079,641	314,271	1,393,912
<i>Assigned to</i>				
Purchases on Order				
Instructional Supplies	25,076	0	0	25,076
Support Services	14,606	0	0	14,606
Extracurricular Activities	30,257	0	0	30,257
<i>Total Assigned</i>	69,939	0	0	69,939
<i>Unassigned (Deficit)</i>	2,437,929	0	(10,600)	2,427,329
<i>Total Fund Balances</i>	\$2,527,612	\$1,079,641	\$306,166	\$3,913,419

Note 5 - 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 In and Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.
6. 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	\$583,344
Revenue Accruals	(62,485)
Advance In	58,721
Beginning Fair Value Adjustment	
for Investments	1,430
Ending Fair Value Adjustment	
for Investments	298
Expenditure Accruals	(42,365)
Advance Out	(47,659)
Prospective Difference:	
Uniform School Supply	12,947
Public School Support	(3,240)
Termination Benefits	41,223
Encumbrances	(56,147)
Budget Basis	\$486,067

Note 6 - 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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Interim monies may 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the 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 notes 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.

Investments

As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share				
STAR Ohio	\$1,709,507	45.5	AAAm	N/A
Fair Value - Level One Inputs				
Money Market Mutual Funds	597	Less than one year	AAAm	0.02 %
Fair Value - Level Two Inputs				
Negotiable Certificates of Deposit	<u>1,099,702</u>	Less than one year	N/A	39.14
Total Portfolio	<u><u>\$2,809,806</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

identifies the School District's recurring fair value measurements as of June 30, 2017. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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 Negotiable certificates of deposit are not rated. 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 7 - 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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.

Public utility property tax revenues received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, are available to finance fiscal year 2017 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, 2017, 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, 2017, was \$28,562 in the general fund and \$880 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$13,981 in the general fund and \$434 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$146,575,610	95.60%	\$147,173,570	95.25%
Public Utility Personal	6,753,760	4.40	7,337,440	4.75
Total	\$153,329,370	100.00%	\$154,511,010	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$56.00		\$56.00	

Note 8 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts 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:

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Governmental Activities	Amounts
Title I Grant	\$83,336
Foundation Adjustments	41,285
Bureau of Workers Compensation	18,845
Medicaid	1,625
Title IV-B Grant	500
Total	\$145,591

Note 9 - 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. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, Foundation funding for the School District; therefore, any financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Litigation

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017
<i>Capital Assets not being Depreciated:</i>				
Land	\$332,491	\$0	\$0	\$332,491
Construction in Progress	17,195	25,061	(42,256)	0
<i>Total Nondepreciable Capital Assets</i>	349,686	25,061	(42,256)	332,491
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,077,864	40,481	0	1,118,345
Buildings and Improvements	2,931,536	42,256	0	2,973,792
Furniture, Fixtures and Equipment	354,862	18,510	0	373,372
Vehicles	750,162	0	0	750,162
<i>Total Capital Assets being Depreciated</i>	5,114,424	101,247	0	5,215,671
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(537,478)	(41,053)	0	(578,531)
Buildings and Improvements	(1,465,206)	(53,732)	0	(1,518,938)
Furniture, Fixtures and Equipment	(191,616)	(24,196)	0	(215,812)
Vehicles	(499,171)	(46,365)	0	(545,536)
<i>Total Accumulated Depreciation</i>	(2,693,471)	(165,346)*	0	(2,858,817)
<i>Total Assets being Depreciated, Net</i>	2,420,953	(64,099)	0	2,356,854
<i>Governmental Activities Capital Assets, Net</i>	\$2,770,639	(\$39,038)	(\$42,256)	\$2,689,345

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$24,181
Special	2,326
Support Services:	0
Pupil	1,460
Instructional Staff	6,398
Board of Education	1,233
Administration	733
Operation and Maintenance of Plant	56,248
Pupil Transportation	49,884
Central	114
Operation of Food Services	8,804
Extracurricular Activities	13,965
Total Depreciation Expense	\$165,346

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 - 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 2017, the School District contracted with Ohio School Plan for property and liability insurance.

Type of Coverage	Coverage Amount
Building and Contents (\$1,000 deductible)	\$21,265,834
Money and Securities/ in and out non-employee (\$1,000 deductible)	10,000
Employee Dishonesty (\$1,000 deductible)	100,000
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 (no deductible)	
Per Occurrence	4,000,000
Total per Year	4,000,000
Educational Legal Liability	
Per Occurrence (\$2,500 deductible)	4,000,000
Total per Year	6,000,000

Employee Health Benefits

The School District has contracted with the Trumbull County School Employees Insurance Benefit Consortium to provide employee medical/surgical/prescription drug and vision benefits. The Trumbull County School Employees 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 three different medical/surgical/prescription plans. The School District pays medical/surgical/prescription drug premiums of \$1,320 for family coverage and \$507 for single coverage per employee per month for the first option. The School District pays medical/surgical/prescription drug premiums of \$1,185 for family coverage and \$455 for single coverage per employee per month for the second option. The School District pays medical/surgical/prescription drug premiums of \$1,165 for family coverage and \$448 for single coverage per employee per month for the third 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 Employees 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, 2017

Workers' 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 12 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$128,491 for fiscal year 2017. Of this amount \$5,121 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$478,943 for fiscal year 2017. Of this amount \$69,781 is reported as an intergovernmental payable.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0311790%	0.03236373%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0300367%</u>	<u>0.03050419%</u>	
Change in Proportionate Share	<u>-0.0011423%</u>	<u>-0.00185954%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,198,409	\$10,210,672	\$12,409,081
Pension Expense	\$192,670	\$643,327	\$835,997

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$29,651	\$412,560	\$442,211
Changes of assumptions	146,756	0	146,756
Net difference between projected and actual earnings on pension plan investments	181,337	847,760	1,029,097
School District contributions subsequent to the measurement date	<u>128,491</u>	<u>478,943</u>	<u>607,434</u>
Total Deferred Outflows of Resources	<u>\$486,235</u>	<u>\$1,739,263</u>	<u>\$2,225,498</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$86,885</u>	<u>\$443,910</u>	<u>\$530,795</u>

\$607,434 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$53,552	\$87,076	\$140,628
2019	53,423	87,076	140,499
2020	111,758	412,386	524,144
2021	52,126	229,872	281,998
Total	<u>\$270,859</u>	<u>\$816,410</u>	<u>\$1,087,269</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,910,557	\$2,198,409	\$1,602,312

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,569,153	\$10,210,672	\$7,377,595

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

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, 2017, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$14,935.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$14,935, \$14,019 and \$33,345, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial 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 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 discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 14 - 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. Certificated employees with 30 or more years of service as of August 31, 2011 can accumulate an unlimited number of sick days. Certificated employees with less than 30 years of service as of August 31, 2011 can accumulate up to a maximum of 366 sick days. Classified employees can accumulate up to a maximum of 366 sick days. Classified employees having more than 366 accumulated sick days shall be capped at their current number of sick days as of August 31, 2011. Certificated and classified employees with ten years or more of service with the School District receive payment upon retirement 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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Other Long-term Obligations					
Net Pension Liability:					
STRS	\$8,944,388	\$1,266,284	\$0	\$10,210,672	\$0
SERS	1,779,104	419,305	0	2,198,409	0
Total Net Pension Liability	10,723,492	1,685,589	0	12,409,081	0
Capital Lease Payable	32,445	0	(6,665)	25,780	6,966
Compensated Absences	389,334	0	(20,509)	368,825	42,479
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$11,145,271</u>	<u>\$1,685,589</u>	<u>(\$27,174)</u>	<u>\$12,803,686</u>	<u>\$49,445</u>

Compensated absences will be paid from the general fund and the food service and title I special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the general fund and the food service and title I special revenue funds. For additional information related to the net pension liability see Note 12.

The School District's overall debt margin was \$13,905,991 with an unvoted debt margin of \$154,511 at June 30, 2017.

Note 16 - Interfund Balances and Transfers

Interfund Balances

An interfund receivable/payable of \$10,159 between the general fund and the title 1 special revenue fund was recorded at June 30, 2017. The interfund receivable/payable is due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. This loan is expected to be repaid in one year.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Interfund Transfers

The general fund transferred \$155,000 to the athletics special revenue fund and \$15,000 to the food service special revenue fund to provide funding for programs.

Note 17 – Capital Leases

In fiscal year 2016, the School District entered into a capital lease for the purchase of copiers. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2017 follows:

	Amounts
Asset:	
Copiers	\$35,670
Less: Accumulated Depreciation	(14,268)
Current Book Value	\$21,402

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Year ending June 30,	Capital Lease
2018	\$7,962
2019	7,961
2020	7,962
2021	3,981
Total Minimum Lease Payments	27,866
Less: Amount Representing Interest	(2,086)
Present Value of Minimum Lease Payments	\$25,780

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 \$41,244 to NEOMIN during fiscal year 2017.

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 2017. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 Career and Technical Center The Trumbull 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 Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing 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 School Employees Insurance Benefit Consortium The School District participates in the Trumbull County School Employees Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Note 20 – Significant Commitments

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	\$56,147
Other Governmental Funds	7,128
Total	<u>\$63,275</u>

Note 21 - 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.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	129,438
Current Year Offsets	(174,845)
Qualifying Disbursements	(56,337)
Total	(\$101,744)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2017	\$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 22 – Change in Accounting Principle

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, the School District had no abatement that met the GASB 77 definition.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Required Supplementary Information

Mathews Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.0300367%	0.0311790%	0.0325000%	0.0325000%
School District's Proportionate Share of the Net Pension Liability	\$2,198,409	\$1,779,104	\$1,644,806	\$1,932,671
School District's Covered Payroll	\$947,321	\$944,357	\$944,374	\$1,022,183
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	232.07%	188.39%	174.17%	189.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Mathews Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03050419%	0.03236373%	0.03243547%	0.03243547%
School District's Proportionate Share of the Net Pension Liability	\$10,210,672	\$8,944,388	\$7,889,429	\$9,397,836
School District's Covered Payroll	\$3,234,771	\$3,357,157	\$3,329,864	\$3,577,985
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.65%	266.43%	236.93%	262.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Mathews Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$128,491	\$132,625	\$124,466	\$130,890
Contributions in Relation to the Contractually Required Contribution	<u>(128,491)</u>	<u>(132,625)</u>	<u>(124,466)</u>	<u>(130,890)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$917,793	\$947,321	\$944,357	\$944,374
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$141,470	\$147,677	\$161,700	\$162,177	\$118,122	\$116,298
(141,470)	(147,677)	(161,700)	(162,177)	(118,122)	(116,298)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,022,183	\$1,097,969	\$1,286,393	\$1,197,762	\$1,200,429	\$1,184,301
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Mathews Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$478,943	\$452,868	\$470,002	\$432,882
Contributions in Relation to the Contractually Required Contribution	<u>(478,943)</u>	<u>(452,868)</u>	<u>(470,002)</u>	<u>(432,882)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,421,021	\$3,234,771	\$3,357,157	\$3,329,864
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$465,138	\$504,690	\$517,124	\$528,647	\$524,137	\$521,610
(465,138)	(504,690)	(517,124)	(528,647)	(524,137)	(521,610)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,577,985	\$3,882,231	\$3,977,877	\$4,066,515	\$4,031,823	\$4,012,385
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Mathews Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.



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
4096 Cadwallander Sonk Rd.
Cortland, Ohio 44410

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 the Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2017.

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 opinion 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017



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
JANUARY 9, 2018**