



Dave Yost • Auditor of State



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 27, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The management's discussion and analysis of Mathews Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$306,938, which represents a 9.04% decrease from 2011.
- General revenues accounted for \$7,812,344 in revenue or 85.10% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,367,531 or 14.90% of total revenues of \$9,179,875.
- The District had \$9,486,813 in expenses related to governmental activities; only \$1,367,531 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,812,344 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$8,289,344 in revenues and other financing sources and \$8,585,994 in expenditures and other financing uses. The general fund's fund balance decreased \$296,650 from a balance of \$472,558 to \$175,908.

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

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-45 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current assets	\$ 6,616,033	\$ 6,590,433
Capital assets, net	<u>3,336,516</u>	<u>3,266,174</u>
Total assets	<u>9,952,549</u>	<u>9,856,607</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,627,706	5,153,146
Long-term liabilities	<u>1,235,062</u>	<u>1,306,742</u>
Total liabilities	<u>6,862,768</u>	<u>6,459,888</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of debt	3,335,794	3,252,491
Restricted	26,979	248,202
Unrestricted (deficit)	<u>(272,992)</u>	<u>(103,974)</u>
Total net assets	<u>\$ 3,089,781</u>	<u>\$ 3,396,719</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$3,089,781.

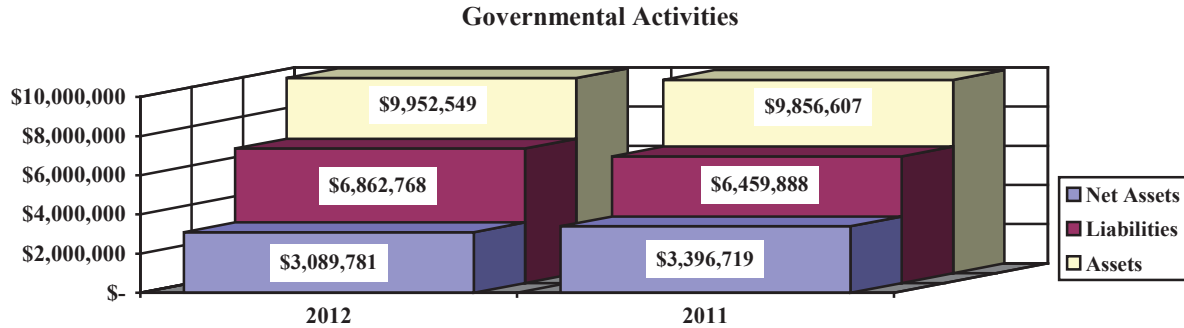
At year-end, capital assets represented 33.52% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2012, was \$3,335,794. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$26,979 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of is a deficit of \$272,992.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets as of June 30, 2012 and 2011.



The table below shows the changes in net assets for governmental activities for fiscal year 2012 compared to fiscal year 2011.

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 724,973	\$ 755,315
Operating grants and contributions	642,558	1,101,826
General revenues:		
Property taxes	4,346,274	4,225,439
Grants and entitlements	3,359,242	3,578,563
Investment earnings	3,753	9,057
Other	<u>103,075</u>	<u>40,926</u>
Total revenues	<u>9,179,875</u>	<u>9,711,126</u>

--Continued

The decrease in operating grants and contributions is primarily due to a decrease in federal grant revenue from the funds education jobs, IDEA Part B and education stabilization.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Change in Net Assets (Continued)**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,288,899	4,325,427
Special	912,991	1,035,373
Vocational	107,868	51,376
Other	171,873	140,241
Support services:		
Pupil	451,215	483,554
Instructional staff	237,207	259,173
Board of education	46,874	81,495
Administration	805,986	818,959
Fiscal	346,908	343,888
Business	4,184	-
Operations and maintenance	996,548	1,001,583
Pupil transportation	529,216	546,139
Central	92,755	88,561
Operation of non-instructional services:		
Food service	223,115	333,987
Other non-instructional services	67,031	2,705
Extracurricular activities	<u>204,143</u>	<u>220,792</u>
Total expenses	<u>9,486,813</u>	<u>9,733,253</u>
Changes in net assets	(306,938)	(22,127)
Net assets, beginning of year	<u>3,396,719</u>	<u>3,418,846</u>
Net assets, end of year	<u>\$ 3,089,781</u>	<u>\$ 3,396,719</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$306,938. Total governmental expenses of \$9,486,813 were partially offset by program revenues of \$1,367,531 and general revenues of \$7,812,344. Program revenues supported 14.42% of the total governmental expenses.

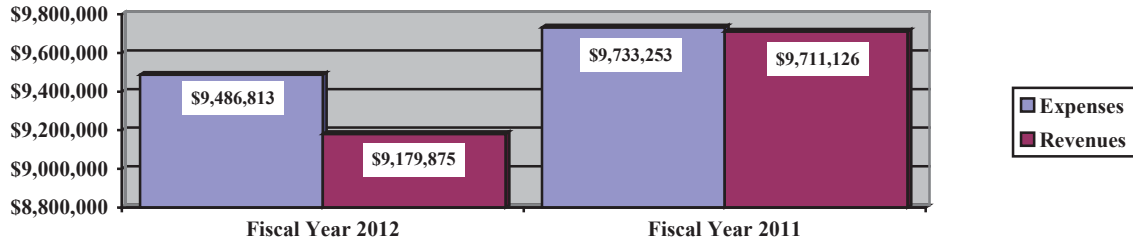
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 83.94% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses:				
Instruction:				
Regular	4,288,899	\$ 3,771,516	4,325,427	\$ 3,444,495
Special	912,991	555,660	1,035,373	616,953
Vocational	107,868	102,222	51,376	45,730
Other	171,873	69,518	140,241	29,639
Support services:				
Pupil	451,215	450,705	483,554	483,554
Instructional staff	237,207	203,018	259,173	216,088
Board of education	46,874	46,874	81,495	81,495
Administration	805,986	805,986	818,959	815,414
Fiscal	346,908	346,908	343,888	343,888
Business	4,184	4,184	-	-
Operations and maintenance	996,548	971,422	1,001,583	1,001,583
Pupil transportation	529,216	526,732	546,139	540,840
Central	92,755	85,353	88,561	74,192
Operation of non-instructional services				
Food service operations	223,115	(31,831)	333,987	39,910
Other of non-instructional services	67,031	66,126	2,705	2,705
Extracurricular activities	204,143	144,889	220,792	139,626
<b>Total expenses</b>	<b>\$ 9,486,813</b>	<b>\$ 8,119,282</b>	<b>\$ 9,733,253</b>	<b>\$ 7,876,112</b>

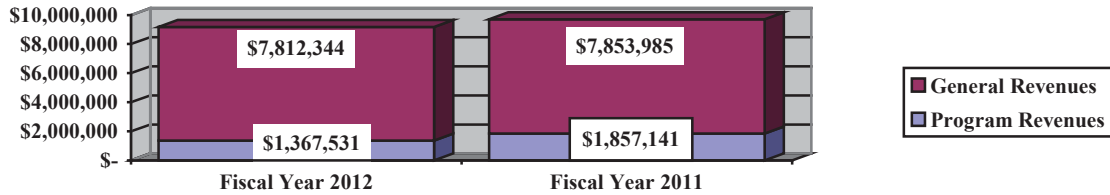
The dependence upon tax revenues during fiscal year 2012 for governmental activities is apparent, as 82.07% of 2012 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.58% and 80.92% in 2012 and 2011, respectively. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$171,124, which is \$342,808 less than last year's total of \$513,932. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance (deficit) <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	<u>(Decrease)</u>
General	\$ 175,908	\$ 472,558	\$ (296,650)
Other governmental	(4,784)	41,374	(46,158)
Total	<u>\$ 171,124</u>	<u>\$ 513,932</u>	<u>\$ (342,808)</u>

**General Fund**

The District's general fund balance decreased \$296,650. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,198,632	\$ 4,139,388	1.43 %
Interest earnings	3,753	9,411	(60.12) %
Intergovernmental	3,463,670	3,674,286	(5.73) %
Other revenues	620,791	575,537	7.86 %
Total	<u>\$ 8,286,846</u>	<u>\$ 8,398,622</u>	(1.33) %
<b><u>Expenditures</u></b>			
Instruction	\$ 4,956,193	\$ 5,053,320	(1.92) %
Support services	3,451,454	3,455,824	(0.13) %
Food service operations	10,896	5,782	88.45 %
Extracurricular activities	19,672	24,769	(20.58) %
Total	<u>\$ 8,438,215</u>	<u>\$ 8,539,695</u>	(1.19) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The decrease in interest earnings is primarily due to a declining interest rate. All other revenue items remained consistent when compared to prior fiscal years. Instructional expenditures, support services and extracurricular activities expenditures remained consistent when compared to prior fiscal years.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$8,240,683. This was \$265,225 less than original budgeted revenues of \$8,505,908. The actual revenues and other financing sources were \$8,255,290 which were \$14,607 more than final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$8,755,513 were increased to \$8,843,278 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$8,720,746, which was \$122,532 less than the final budget appropriations, primarily because salary costs proved to be lower than anticipated in the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2012, the District had \$3,336,516 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Land	\$ 363,767	\$ 363,767
Construction in progress	99,574	-
Land improvements	184,173	203,207
Building and improvements	2,150,385	2,186,848
Furniture and equipment	346,349	365,471
Vehicles	<u>192,268</u>	<u>146,881</u>
Total	<u>\$ 3,336,516</u>	<u>\$ 3,266,174</u>

Total additions to capital assets for 2012 were \$291,606 and total disposals were \$33,604 (net of accumulated depreciation). Depreciation expense for fiscal year 2012 was \$187,660. The overall increase in capital assets of \$70,342 was due to additions exceeding depreciation expense and net disposals.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

***Debt Administration***

At June 30, 2012 the District had a \$722 asbestos loan outstanding. The entire amount is due within one year. The following table summarizes the loan outstanding.

**Outstanding Debt at June 30**

	Governmental Activities 2012	Governmental Activities 2011
Asbestos loan	<u>\$ 722</u>	<u>\$ 13,683</u>

At June 30, 2012 the District's overall legal debt margin was \$13,291,473 with an unvoted debt margin of \$147,683.

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

**Current Financial Related Activities**

The District has been and will continue to be faced with numerous financial challenges. The District faces reductions in revenues, increasing expenditures in the areas of health care, aging facilities, and an aging bus fleet. In an effort to reduce costs, the Neal Middle School building (built in 1922) was closed at the end of the 2010-2011 school year. Additionally, negotiated agreements with both bargaining units included expenditure reductions for the District in some areas.

Expenditures in the District included several larger projects paid partially out of the general fund in addition to other sources. During FY2012, the EPA required the District to make improvements to the septic system at Mathews High School. An engineering firm developed a plan to update the septic system to bring it into compliance with the EPA. Approval from the EPA was granted to utilize the plan developed. The costs associated with these upgrades have been or will be paid out of permanent improvement funds and/or general fund dollars upon completion in early FY2013 depending upon the balance available in the permanent improvement fund. A cafeteria lift system to move product into and out of the cafeteria was approved for installation with work underway at the end of the fiscal year. Upon its completion, the costs associated with it will have been or will be paid out of a grant received from the Bureau of Workers Compensation, permanent improvement funds, and/or general fund dollars again dependent upon the permanent improvement fund balance. Roofing work was also completed on the three buildings currently being utilized that have been or will be paid for out of both permanent improvement and general fund dollars upon completion in FY2013. The District also purchased a new school bus that was paid for out of general fund dollars.

The District has seen an overall decrease in revenues due to numerous changes in funding to the District. Real estate property within the county was reappraised reducing collections in property taxes, Stimulus dollars were no longer received as a part of the foundation funding, and tangible personal property tax reimbursements were reduced from previous years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

Revenues included in the five year forecast expenditures within the District decreased in FY2012 over FY2011 but exceeded revenues by \$244,548. Expenditures have been very close or exceeded revenues each fiscal year back to FY2008 as follows: FY2011 expenditures exceeded revenues by \$338,405, FY2010 revenues exceeded expenditures by \$2,375, FY2009 expenditures exceeded revenues by \$334,457, and FY2008 expenditures exceeded revenues by \$452,520. The overspending of revenues each year has used the majority of the savings the District had accumulated over past years. FY2012 ended with a cash balance of only \$681,255. An average of FY2012 expenditures on a monthly basis is \$688,239. Typically, a school District should maintain a cash balance of between forty-five and ninety days worth of expenditures as a sound financial practice.

The District realizes that prudent management is necessary to continue to provide the resources necessary to meet student needs. The closing of Neal Middle School and the reduction in force effective the 2011-2012 school year are efforts by the District to control expenditures. However, the savings realized out of these measures only reduced the amount the District would have been overspending its revenues. The Board of Education and administration closely monitor the District's revenue and expenditures in accordance with its five-year forecast. The five-year forecast approved in May 2012 does not indicate that the District has a sufficient cash balance to operate through fiscal year 2013. Additional revenues or reduced expenditures will need to occur in order for the District to end the fiscal year without exceeding its revenues as required by law.

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

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, please contact Brian W. Stidham, Treasurer, Mathews Local School District, 4434-B Warren-Sharon Rd., Vienna, Ohio 44473.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,340,634
Receivables:	
Taxes . . . . .	5,186,388
Accounts . . . . .	11,426
Intergovernmental . . . . .	16,161
Prepayments . . . . .	11,983
Materials and supplies inventory . . . . .	49,441
Capital assets:	
Land and construction in progress . . . . .	463,341
Depreciable capital assets, net . . . . .	2,873,175
Total capital assets, net . . . . .	3,336,516
 Total assets . . . . .	 9,952,549
<b>Liabilities:</b>	
Accounts payable . . . . .	38,222
Contracts payable . . . . .	99,574
Accrued wages and benefits . . . . .	673,201
Pension obligation payable . . . . .	167,084
Intergovernmental payable . . . . .	37,573
Unearned revenue . . . . .	4,612,052
Long-term liabilities:	
Due within one year . . . . .	269,515
Due in more than one year . . . . .	965,547
 Total liabilities . . . . .	 6,862,768
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	3,335,794
Restricted for:	
Capital projects . . . . .	21,007
Other purposes . . . . .	5,972
Unrestricted (deficit) . . . . .	(272,992)
 Total net assets . . . . .	 \$ 3,089,781

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,288,899	\$ 473,418	\$ 43,965	\$ (3,771,516)
Special . . . . .	912,991	38,742	318,589	(555,660)
Vocational . . . . .	107,868	-	5,646	(102,222)
Other . . . . .	171,873	-	102,355	(69,518)
Support services:				
Pupil . . . . .	451,215	510	-	(450,705)
Instructional staff . . . . .	237,207	6,121	28,068	(203,018)
Board of education . . . . .	46,874	-	-	(46,874)
Administration . . . . .	805,986	-	-	(805,986)
Fiscal . . . . .	346,908	-	-	(346,908)
Business . . . . .	4,184	-	-	(4,184)
Operations and maintenance . . . . .	996,548	-	25,126	(971,422)
Pupil transportation . . . . .	529,216	125	2,359	(526,732)
Central . . . . .	92,755	-	7,402	(85,353)
Operation of non-instructional services:				
Other non-instructional services . . . . .	67,031	-	905	(66,126)
Food service operations . . . . .	223,115	148,885	106,061	31,831
Extracurricular activities . . . . .	204,143	57,172	2,082	(144,889)
Totals . . . . .	<u>\$ 9,486,813</u>	<u>\$ 724,973</u>	<u>\$ 642,558</u>	<u>(8,119,282)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	4,199,412
Capital projects . . . . .	146,862
Grants and entitlements not restricted to specific programs . . . . .	3,359,242
Investment earnings . . . . .	3,753
Miscellaneous . . . . .	103,075
Total general revenues . . . . .	<u>7,812,344</u>
Change in net assets . . . . .	(306,938)
<b>Net assets at beginning of year . . . . .</b>	<u>3,396,719</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 3,089,781</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 1,239,397	\$ 101,237	\$ 1,340,634
Receivables:			
Taxes . . . . .	5,002,135	184,253	5,186,388
Accounts . . . . .	8,310	3,116	11,426
Intergovernmental. . . . .	12,394	3,767	16,161
Prepayments. . . . .	11,983	-	11,983
Materials and supplies inventory. . . . .	40,815	8,626	49,441
Total assets . . . . .	<u>\$ 6,315,034</u>	<u>\$ 300,999</u>	<u>\$ 6,616,033</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 22,727	\$ 15,495	\$ 38,222
Contracts payable. . . . .	37,222	62,352	99,574
Accrued wages and benefits. . . . .	643,203	29,998	673,201
Compensated absences payable . . . . .	249,450	-	249,450
Pension obligation payable . . . . .	155,600	11,484	167,084
Intergovernmental payable . . . . .	34,530	3,043	37,573
Deferred revenue . . . . .	548,023	19,730	567,753
Unearned revenue. . . . .	4,448,371	163,681	4,612,052
Total liabilities. . . . .	<u>6,139,126</u>	<u>305,783</u>	<u>6,444,909</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	40,815	8,626	49,441
Prepays. . . . .	11,983	-	11,983
Restricted:			
Capital improvements . . . . .	-	1,277	1,277
Other purposes. . . . .	-	5,972	5,972
Extracurricular. . . . .	-	6,288	6,288
Committed:			
Termination benefits. . . . .	67,068	-	67,068
Assigned:			
Student instruction . . . . .	19,451	-	19,451
Student and staff support. . . . .	36,568	-	36,568
School supplies . . . . .	23	-	23
Unassigned (deficit) . . . . .	-	(26,947)	(26,947)
Total fund balances (deficit) . . . . .	<u>175,908</u>	<u>(4,784)</u>	<u>171,124</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,315,034</u>	<u>\$ 300,999</u>	<u>\$ 6,616,033</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund balances</b>		\$	171,124
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,336,516
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	555,359	
Intergovernmental receivable		12,394	
Total			567,753
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		984,890	
Asbestos loan payable		722	
Total			(985,612)
<b>Net assets of governmental activities</b>			<b>\$ 3,089,781</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,198,632	\$ 146,016	\$ 4,344,648
Tuition . . . . .	468,599	-	468,599
Transportation fees . . . . .	125	-	125
Charges for services . . . . .	-	148,885	148,885
Earnings on investments . . . . .	3,753	-	3,753
Extracurricular . . . . .	31,052	57,172	88,224
Classroom materials and fees . . . . .	19,140	-	19,140
Contributions and donations . . . . .	-	5,972	5,972
Other local revenues . . . . .	101,875	3,282	105,157
Intergovernmental - state . . . . .	3,442,067	72,645	3,514,712
Intergovernmental - federal . . . . .	21,603	598,748	620,351
Total revenues . . . . .	8,286,846	1,032,720	9,319,566
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	4,080,884	198,196	4,279,080
Special . . . . .	731,835	171,977	903,812
Vocational . . . . .	86,891	-	86,891
Other . . . . .	56,583	110,225	166,808
Support services:			
Pupil . . . . .	476,885	-	476,885
Instructional staff . . . . .	208,491	30,224	238,715
Board of education . . . . .	46,874	-	46,874
Administration . . . . .	875,885	-	875,885
Fiscal . . . . .	345,375	-	345,375
Business . . . . .	4,184	-	4,184
Operations and maintenance . . . . .	844,023	180,842	1,024,865
Pupil transportation . . . . .	565,064	-	565,064
Central . . . . .	84,673	7,417	92,090
Operation of non-instructional services:			
Food service operations . . . . .	10,896	277,728	288,624
Other non-instructional services . . . . .	-	67,022	67,022
Extracurricular activities . . . . .	19,672	173,640	193,312
Debt service:			
Principal retirement . . . . .	-	12,961	12,961
Total expenditures . . . . .	8,438,215	1,230,232	9,668,447
Excess of expenditures over revenues . . . . .	(151,369)	(197,512)	(348,881)
<b>Other financing sources (uses):</b>			
Sale of assets . . . . .	2,498	3,575	6,073
Transfers in . . . . .	-	147,779	147,779
Transfers (out) . . . . .	(147,779)	-	(147,779)
Total other financing sources (uses) . . . . .	(145,281)	151,354	6,073
Net change in fund balances . . . . .	(296,650)	(46,158)	(342,808)
<b>Fund balances at beginning of year . . . . .</b>	<b>472,558</b>	<b>41,374</b>	<b>513,932</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ 175,908</b>	<b>\$ (4,784)</b>	<b>\$ 171,124</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	(342,808)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.</p>		
Capital asset additions	\$ 291,606	
Current year depreciation	<u>(187,660)</u>	
Total		103,946
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(33,604)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	1,626	
Intergovernmental	<u>(142,262)</u>	
Total		(140,636)
<p>Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		12,961
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>93,203</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>(306,938)</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,336,378	\$ 4,201,165	\$ 4,201,165	\$ -
Tuition. . . . .	479,311	464,365	468,599	4,234
Transportation fees. . . . .	2,942	2,850	125	(2,725)
Earnings on investments . . . . .	3,907	3,785	3,753	(32)
Classroom materials and fees . . . . .	5,677	5,500	5,621	121
Other local revenues . . . . .	3,329	3,225	2,817	(408)
Intergovernmental - state . . . . .	3,539,341	3,428,980	3,442,067	13,087
Total revenues . . . . .	<u>8,370,885</u>	<u>8,109,870</u>	<u>8,124,147</u>	<u>14,277</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,931,179	3,970,585	3,940,850	29,735
Special. . . . .	762,678	770,323	763,119	7,204
Vocational. . . . .	82,856	83,687	83,056	631
Other. . . . .	55,865	56,425	56,015	410
Support services:				
Pupil. . . . .	452,222	456,755	455,047	1,708
Instructional staff . . . . .	213,616	215,757	213,375	2,382
Board of education . . . . .	51,504	52,020	50,752	1,268
Administration. . . . .	790,634	798,559	794,898	3,661
Fiscal . . . . .	346,016	349,484	345,335	4,149
Business . . . . .	3,303	3,336	3,235	101
Operations and maintenance. . . . .	994,819	1,004,792	962,481	42,311
Pupil transportation . . . . .	580,924	586,747	572,029	14,718
Central. . . . .	94,778	95,728	90,794	4,934
Total expenditures . . . . .	<u>8,360,394</u>	<u>8,444,198</u>	<u>8,330,986</u>	<u>113,212</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>10,491</u>	<u>(334,328)</u>	<u>(206,839)</u>	<u>127,489</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	108,942	105,545	106,375	830
Transfers in . . . . .	4,534	4,393	4,393	-
Transfers (out). . . . .	(395,119)	(399,080)	(389,760)	9,320
Sale of capital assets . . . . .	21,547	20,875	20,375	(500)
Total other financing sources (uses) . . . . .	<u>(260,096)</u>	<u>(268,267)</u>	<u>(258,617)</u>	<u>9,650</u>
Net change in fund balance . . . . .	(249,605)	(602,595)	(465,456)	137,139
<b>Fund balance at beginning of year . . . . .</b>	1,068,033	1,068,033	1,068,033	-
<b>Prior year encumbrances appropriated . . . . .</b>	78,679	78,679	78,679	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 897,107</u>	<u>\$ 544,117</u>	<u>\$ 681,256</u>	<u>\$ 137,139</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MATHEWS LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 26,993
Receivables:	
Accounts . . . . .	20
Total assets . . . . .	\$ 27,013
<b>Liabilities:</b>	
Accrued wages and benefits . . . . .	\$ 517
Pension obligation payable . . . . .	266
Intergovernmental payable . . . . .	241
Due to students . . . . .	25,989
Total liabilities . . . . .	\$ 27,013

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Mathews Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and Federal guidelines. The Board of Education controls the District's four instructional/support facilities staffed by 63 classified employees and 39 certified employees who provide services to 844 students and other community members.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*JOINTLY GOVERNED ORGANIZATIONS*

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 19 participating school district's elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

*INSURANCE PURCHASING POOL*

Trumbull County Schools Employee Insurance Benefits Consortium

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in governmental funds.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.

**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$3,753 which includes \$1,203 assigned from other District funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$300. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	99 years
Furniture and equipment	5 - 20 years
Vehicles	10 years

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated on the statement of net assets. The District had no interfund loans outstanding at June 30, 2012.

**J. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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



**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, is reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability in the fund financial statements when due.

**L. Fund Balance**

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

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

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

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

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

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 15,053
Education jobs	727
Title I - disadvantaged children	2,419
Title II-A	122

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**A. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$1,357,470. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,219,145 of the District's bank balance of \$1,469,145 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**B. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u> 6 months or less
STAR Ohio	\$ 10,157	\$ 10,157

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

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 10,157	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,357,470
Investments	<u>10,157</u>
Total	<u>\$ 1,367,627</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,340,634
Agency fund	<u>26,993</u>
Total	<u>\$ 1,367,627</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	<u>\$ 147,779</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$22,849 in the general fund and \$842 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$25,402 in the general fund and \$876 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 149,129,490	96.74	\$ 142,452,960	96.46
Public utility personal	<u>5,023,620</u>	<u>3.26</u>	<u>5,230,070</u>	<u>3.54</u>
Total	<u>\$ 154,153,110</u>	<u>100.00</u>	<u>\$ 147,683,030</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.45		\$51.45	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 5,186,388
Accounts	11,426
Intergovernmental	<u>16,161</u>
Total receivables	<u>\$ 5,213,975</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 363,767	\$ -	\$ -	\$ 363,767
Construction in progress	<u>-</u>	<u>99,574</u>	<u>-</u>	<u>99,574</u>
Total capital assets, not being depreciated	<u>363,767</u>	<u>99,574</u>	<u>-</u>	<u>463,341</u>
Capital assets, being depreciated:				
Land improvements	687,591	2,516	-	690,107
Buildings and improvements	3,022,582	-	-	3,022,582
Furniture and equipment	1,541,340	98,248	(131,481)	1,508,107
Vehicles	<u>712,609</u>	<u>91,268</u>	<u>-</u>	<u>803,877</u>
Total capital assets, being depreciated	<u>5,964,122</u>	<u>192,032</u>	<u>(131,481)</u>	<u>6,024,673</u>
Less: accumulated depreciation				
Land improvements	(484,384)	(21,550)	-	(505,934)
Buildings and improvements	(835,734)	(36,463)	-	(872,197)
Furniture and equipment	(1,175,869)	(83,766)	97,877	(1,161,758)
Vehicles	<u>(565,728)</u>	<u>(45,881)</u>	<u>-</u>	<u>(611,609)</u>
Total accumulated depreciation	<u>(3,061,715)</u>	<u>(187,660)</u>	<u>97,877</u>	<u>(3,151,498)</u>
Governmental activities capital assets, net	<u>\$ 3,266,174</u>	<u>\$ 103,946</u>	<u>\$ (33,604)</u>	<u>\$ 3,336,516</u>



**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 74,327
Special	1,960
Vocational	491
Other	5,065
Support services:	
Pupil	1,155
Instructional staff	5,651
Administration	4,814
Fiscal	709
Operations and maintenance	20,368
Pupil transportation	53,172
Central	665
Extracurricular	16,312
Food service operations	<u>2,971</u>
Total depreciation expense	<u>\$ 187,660</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. The changes in the District's long-term obligations during fiscal year 2012 consist of the following:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due in One Year
<b><u>Governmental-type activities:</u></b>					
1993 EPA Asbestos Loan 0%	\$ 13,683	\$ -	\$ (12,961)	\$ 722	\$ 722
Compensated absences	<u>1,293,059</u>	<u>171,878</u>	<u>(230,597)</u>	<u>1,234,340</u>	<u>268,793</u>
Total governmental long-term activities	<u>\$ 1,306,742</u>	<u>\$ 171,878</u>	<u>\$ (243,558)</u>	<u>\$ 1,235,062</u>	<u>\$ 269,515</u>

Compensated absences will be paid by the general fund.

EPA Asbestos Loan - On April 16, 1993, Mathews Local School District obtained a loan in the amount of \$233,300 for the purpose of providing asbestos removal for the District. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2013. This loan is interest free. The loan will be paid from the permanent improvement fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Principal requirements to retire the asbestos loan outstanding at June 30, 2012, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>
2013	\$ 722
Total	<u>\$ 722</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$13,291,473 and an unvoted debt margin of \$147,683.

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District switched coverage from Ohio Casualty to Ohio School Plan. The District had the following coverage:

<u>Coverage</u>	<u>Amount</u>
Building and contents-replacement cost (\$1,000 deductible)	\$20,386,034
Money and securities/in and out non-employee (\$1,000 deductible)	10,000
Employee dishonesty (\$1,000 deductible)	25,000
Automobile liability (\$500 deductible on comprehensive) (\$500 deductible on collision)	2,000,000
Auto medical payments	5,000
Uninsured/under insured motorists	1,000,000
General liability	
Per occurrence (no deductible)	1,000,000
Total per year	2,000,000
Employer's liability (\$1,000 deductible)	
Per occurrence	1,000,000
Total per year	3,000,000
Educational legal liability	
Per occurrence (\$1,000 deductible)	1,000,000
Total per year	1,000,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

<u>Coverage</u>	<u>Amount</u>
Liability umbrella (\$10,000 self-insured retention)	
Per occurrence	\$2,000,000
Total per year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**B. Workers' Compensation**

The District pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The firm of Tartan Benefit Services, Inc. provides administrative, cost control and actuarial services to the program.

**C. Employee Medical Benefits**

For fiscal 2012, the District contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution into a common consortium fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$139,442, \$151,923 and \$153,074, respectively; 62.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$497,732, \$517,124 and \$528,647 respectively; 84.70 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$6,885 made by the District and \$4,918 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated 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 according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes 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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$28,319, \$41,240 and \$28,340, respectively; 62.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,235, \$9,777 and \$9,103, respectively; 62.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$38,287, \$39,779 and \$40,665, respectively; 84.70 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (465,456)
Net adjustment for revenue accruals	115,317
Net adjustment for expenditure accruals	(238,853)
Net adjustment for other sources/uses	113,336
Funds budgeted elsewhere *	(41,903)
Adjustment for encumbrances	220,909
GAAP basis	\$ (296,650)

\* Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, public school support, and termination benefits funds.

**NOTE 14 - CONTINGENCIES**

**A. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - CONTINGENCIES - (Continued)**

**C. Septic Tank**

On August 22, 2008, the Ohio Environmental Protection Agency (Ohio EPA) notified the District that it is required to upgrade the wastewater treatment plants at Mathews High School and Neal Middle School. The District estimates the cost of the projects to be between \$70,000 and \$150,000.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	152,556
Current year qualifying expenditures	(56,031)
Current year offsets	<u>(183,865)</u>
Total	<u>\$ (87,340)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 16 - CONTRACTUAL COMMITMENTS**

The District had the following outstanding contractual commitments as of June 30, 2012:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid As of June 30, 2012</u>	<u>Amount Outstanding</u>
Roofing Services	\$ 55,499	\$ 4,293	\$ 51,206
Kriedler	39,200	-	39,200
Centrury Fournier	25,149	12,575	12,574
W.B. Becherer	7,610	-	7,610
Jardine	117,135	-	117,135
Valuation Engineers	<u>3,950</u>	<u>-</u>	<u>3,950</u>
Total Contractual Commitments	<u>\$ 248,543</u>	<u>\$ 16,868</u>	<u>\$ 231,675</u>

**NOTE 17 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	<u>\$ 164,097</u>

**NOTE 18 – SUBSEQUENT EVENT**

The District placed a 4.65-mil levy before voters on November 6, 2012 to support the District's operations. The levy was passed by voters and will generate \$680,000 annually as a new five year emergency levy to fund the emergency requirements of the District.

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MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster: National School Lunch Program	104097-3L60	10.555	\$84,837	\$23,885	\$84,837	\$23,885
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>84,837</b>	<b>23,885</b>	<b>84,837</b>	<b>23,885</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Grants to States (IDEA Part B)	104097-3M20	84.027	171,977		171,977	
<b>Total Special Education Cluster</b>			<b>171,977</b>		<b>171,977</b>	
Grants to Local Educational Agencies (ESEA Title I)	104097-3M00-11 104097-3M00-12	84.010 84.010	17,522 127,763		17,522 115,530	
			<b>145,285</b>		<b>133,052</b>	
ARRA - Grants to Local Educational Agencies	104097-3DK0	84.389	8,809		8,809	
<b>Total Grants to Local Educational Agencies Cluster</b>			<b>154,094</b>		<b>141,861</b>	
Education Jobs Fund	104097-3ET0	84.410	148,791		148,791	
Title II-A Improving Teacher Quality	104097-3Y60	84.367	34,104		34,104	
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>508,966</b>		<b>496,733</b>	
<b>TOTAL</b>			<b>\$593,803</b>	<b>\$23,885</b>	<b>\$581,570</b>	<b>\$23,885</b>

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

**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Mathews Local School District's (the District's) federal award program receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 27, 2013.

We intend this report solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 27, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Mathews Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mathews Local School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Mathews Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### Internal Control Over Compliance

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

In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 27, 2013



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.027 Special Education– Grants to States (IDEA Part B)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**MATHEWS LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 9, 2013**