



**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Mathews Local School District
Trumbull County
4429 Warren Sharon Rd., NE, Box 157
Vienna, Ohio 44473

We have audited the accompanying general-purpose financial statements of the Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mathews Local School District, Trumbull County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 18, 2001

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**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,176,774	\$126,108	\$246,143
Receivables:			
Taxes	4,294,965		140,740
Accounts	2,518		
Intergovernmental	950		
Materials and Supplies Inventory	28,563		
Prepaid Items	61,697		
Inventory Held for Resale			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	35,910		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
Other Debits			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	\$5,601,377	\$126,108	\$386,883
Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts Payable	\$18,495	\$2,948	
Accrued Wages	599,661		
Compensated Absences Payable	12,530		
Intergovernmental Payable	107,770	1,310	
Deferred Revenue	4,266,147		140,740
Due to Students			
Capital Lease Payable			
Asbestos Removal Loan Payable			
Total Liabilities	5,004,603	4,258	140,740
Fund Equity and Other Credits			
Investment in General Fixed Assets			
Retained Earnings (Deficit):			
Unreserved			
Fund Balance:			
Reserved for Encumbrances	244,855	14,886	7,915
Reserved for Inventory	28,563		
Reserved for Property Taxes	28,818		
Reserved for Budget Stabilization	35,910		
Unreserved, Undesignated	258,628	106,964	238,228
Total Fund Equity (Deficit) and Other Credits	596,774	121,850	246,143
Total Liabilities, Fund Equity and Other Credits	\$5,601,377	\$126,108	\$386,883

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$196	\$25,985			\$1,575,206
				4,435,705
312				2,830
7,001				7,951
860				29,423
2,417				64,114
3,941				3,941
				35,910
429		3,976,657		3,977,086
			995,155	995,155
\$15,156	\$25,985	\$3,976,657	\$995,155	\$11,127,321
				\$21,443
17,954				617,615
16,200			785,640	814,370
12,120	227		50,555	171,982
3,646				4,410,533
	25,758			25,758
			2,706	2,706
			156,254	156,254
49,920	25,985		995,155	6,220,661
		3,976,657		3,976,657
(34,764)				(34,764)
				267,656
				28,563
				28,818
				35,910
				603,820
(34,764)		3,976,657		4,906,660
\$15,156	\$25,985	\$3,976,657	\$995,155	\$11,127,321

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDING JUNE 30, 2000**

	<u>Governmental</u>		<u>Fund Types</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues				
Taxes	\$3,361,476		\$141,012	\$3,502,488
Intergovernmental	3,102,580	280,104	43,295	3,425,979
Interest	71,488			71,488
Tuition and Fees	21,903			21,903
Extracurricular Activities		115,895		115,895
Miscellaneous	24,229			24,229
<i>Total Revenues</i>	<u>6,581,676</u>	<u>395,999</u>	<u>184,307</u>	<u>7,161,982</u>
Expenditures				
Current:				
Instruction:				
Regular	3,099,145	85,811		3,184,956
Special	388,073	91,270		479,343
Support Services:				
Pupils	335,410	71,715		407,125
Instructional Staff	153,371	9,683		163,054
Board of Education	35,336			35,336
Administration	498,260	1,999		500,259
Fiscal	211,139			211,139
Operation and Maintenance of Plant	625,048			625,048
Pupil Transportation	369,873	2,271		372,144
Central	49,218	5,953		55,171
Extracurricular Activities	16,083	127,669		143,752
Capital Outlay			198,630	198,630
Debt Service:				
Principal Retirement	1,803		12,961	14,764
Interest and Fiscal Charges	5,962			5,962
<i>Total Expenditures</i>	<u>5,788,721</u>	<u>396,371</u>	<u>211,591</u>	<u>6,396,683</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>792,955</u>	<u>(372)</u>	<u>(27,284)</u>	<u>765,299</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	700			700
Operating Transfers In		77,000		77,000
Operating Transfers Out	(85,805)			(85,805)
<i>Total Other Financing Sources (Uses)</i>	<u>(85,105)</u>	<u>77,000</u>		<u>(8,105)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>707,850</u>	<u>76,628</u>	<u>(27,284)</u>	<u>757,194</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(114,011)</u>	<u>45,222</u>	<u>273,427</u>	<u>204,638</u>
Increase in Reserve for Inventory	2,935			2,935
Fund Balances End of Year	<u>\$596,774</u>	<u>\$121,850</u>	<u>\$246,143</u>	<u>\$964,767</u>

See accompanying notes to the general purpose financial statements.

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**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$3,251,416	\$3,345,336	\$93,920
Intergovernmental	3,377,495	2,910,854	(466,641)
Interest	66,630	75,284	8,654
Tuition and Fees	19,139	21,903	2,764
Extracurricular Activities			
Miscellaneous	21,918	22,629	711
<i>Total Revenues</i>	<u>6,736,598</u>	<u>6,376,006</u>	<u>(360,592)</u>
Expenditures			
Current:			
Instruction:			
Regular	3,548,846	3,138,098	410,748
Special	425,749	382,865	42,884
Support Services:			
Pupils	419,617	386,151	33,466
Instructional Staff	169,278	161,491	7,787
Board of Education	79,360	59,062	20,298
Administration	541,177	499,205	41,972
Fiscal	235,598	216,669	18,929
Operation and Maintenance of Plant	761,338	682,324	79,014
Pupil Transportaton	451,005	380,810	70,195
Central	46,173	41,915	4,258
Extracurricular Activities	16,583	16,583	
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	<u>6,694,724</u>	<u>5,965,173</u>	<u>729,551</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>41,874</u>	<u>410,833</u>	<u>368,959</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	500	700	200
Operating Transfers In			
Operating Transfers Out	(85,805)	(85,805)	
<i>Total Other Financing Sources (Uses)</i>	<u>(85,305)</u>	<u>(85,105)</u>	<u>200</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(43,431)</u>	<u>325,728</u>	<u>369,159</u>
<i>Fund Balances Beginning of Year</i>	580,174	580,174	
Prior Year Encumbrances Appropriated	43,431	43,431	
<i>Fund Balances End of Year</i>	<u>\$580,174</u>	<u>\$949,333</u>	<u>\$369,159</u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
287,280	280,104	(7,176)	190,776	190,776	
145,899	115,895	(30,004)			
<u>433,179</u>	<u>395,999</u>	<u>(37,180)</u>	<u>190,776</u>	<u>190,776</u>	
185,466	96,421	89,045			
91,065	91,065				
71,693	71,693				
15,838	10,417	5,421			
1,999	1,999				
5,520	5,520				
2,802	2,367	435			
5,931	5,931				
130,775	130,545	230			
			185,190	185,190	
			5,586	5,586	
<u>511,089</u>	<u>415,958</u>	<u>95,131</u>	<u>190,776</u>	<u>190,776</u>	
<u>(77,910)</u>	<u>(19,959)</u>	<u>57,951</u>			
67,101	77,000	9,899			
<u>67,101</u>	<u>77,000</u>	<u>9,899</u>			
(10,809)	57,041	67,850			
39,909	39,909				
11,325	11,325				
<u>\$40,425</u>	<u>\$108,275</u>	<u>\$67,850</u>			

(Continued)

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$406,456	\$141,012	(\$265,444)
Intergovernmental	25,925	22,370	(3,555)
Interest			
Tuition and Fees			
Extracurricular Activities			
Miscellaneous			
<i>Total Revenues</i>	432,381	163,382	(268,999)
Expenditures			
Current:			
Instruction:			
Regular			
Special			
Support Services:			
Pupils	71,480		71,480
Instructional Staff			
Board of Education			
Administration			
Fiscal	2,471	2,471	
Operation and Maintenance of Plant	336,694	173,874	162,820
Pupil Transportaton			
Central			
Extracurricular Activities			
Capital Outlay	9,275	9,275	
Debt Service:			
Principal Retirement	12,961	12,961	
Interest and Fiscal Charges			
<i>Total Expenditures</i>	432,881	198,581	234,300
<i>Excess of Revenues Over (Under) Expenditures</i>	(500)	(35,199)	(34,699)
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets			
Operating Transfers In			
Operating Transfers Out			
<i>Total Other Financing Sources (Uses)</i>			
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(500)	(35,199)	(34,699)
<i>Fund Balances Beginning of Year</i>	272,927	272,927	
Prior Year Encumbrances Appropriated	500	500	
<i>Fund Balances End of Year</i>	\$272,927	\$238,228	(\$34,699)

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,657,872	\$3,486,348	(\$171,524)
3,881,476	3,404,104	(477,372)
66,630	75,284	8,654
19,139	21,903	2,764
145,899	115,895	(30,004)
21,918	22,629	711
<u>7,792,934</u>	<u>7,126,163</u>	<u>(666,771)</u>
3,734,312	3,234,519	499,793
516,814	473,930	42,884
562,790	457,844	104,946
185,116	171,908	13,208
79,360	59,062	20,298
543,176	501,204	41,972
238,069	219,140	18,929
1,103,552	861,718	241,834
453,807	383,177	70,630
52,104	47,846	4,258
147,358	147,128	230
9,275	9,275	
198,151	198,151	
5,586	5,586	
<u>7,829,470</u>	<u>6,770,488</u>	<u>1,058,982</u>
<u>(36,536)</u>	<u>355,675</u>	<u>392,211</u>
500	700	200
67,101	77,000	9,899
<u>(85,805)</u>	<u>(85,805)</u>	
<u>(18,204)</u>	<u>(8,105)</u>	<u>10,099</u>
(54,740)	347,570	402,310
893,010	893,010	
55,256	55,256	
<u>\$893,526</u>	<u>\$1,295,836</u>	<u>\$402,310</u>

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Operating Revenues	
Sales	\$190,672
Operating Expenses	
Salaries and Wages	123,243
Fringe Benefits	21,328
Purchased Services	181
Materials and Supplies	21,556
Cost of Sales	100,404
<i>Total Operating Expenses</i>	266,712
<i>Operating Loss</i>	(76,040)
Non-Operating Revenues	
Federal Donated Commodities	13,887
Operating Grants	24,952
<i>Total Non-Operating Revenues</i>	38,839
<i>Income Before Operating Transfers</i>	(37,201)
Operating Transfers In	8,805
<i>Net Loss</i>	(28,396)
<i>Retained Earnings (Deficit) Beginning of Year</i>	(6,368)
<i>Retained Earnings (Deficit) End of Year</i>	(34,764)

See accompanying notes to the general purpose financial statements.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND EQUITY - BUDGET (NON GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$183,628	\$190,672	\$7,044
Operating Grants	61,528	58,431	(3,097)
<i>Total Revenues</i>	<u>245,156</u>	<u>249,103</u>	<u>3,947</u>
Expenses			
Salaries and Wages	113,193	113,191	2
Fringe Benefits	33,686	33,654	32
Purchased Services	247	181	66
Materials and Supplies	110,917	110,908	9
Capital Outlay	429	429	
<i>Total Expenses</i>	<u>258,472</u>	<u>258,363</u>	<u>109</u>
<i>Excess of Revenues Under Expenses</i>	(13,316)	(9,260)	4,056
Operating Transfers In	13,316	8,805	(4,511)
<i>Excess of Revenues Over (Under) Expenses and Operating Transfers</i>		(455)	(455)
<i>Fund Equity Beginning of Year</i>	<u>651</u>	<u>651</u>	
<i>Fund Equity End of Year</i>	<u>\$651</u>	<u>\$196</u>	<u>(\$455)</u>

See accompanying notes to the general purpose financial statements.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$190,672
Cash Payments to Suppliers for Goods and Services	(111,089)
Cash Payments to Employees for Services	(113,191)
Cash Payments for Employee Benefits	(33,654)
	(67,262)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	58,431
Operating Transfers In	8,805
	67,236
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(429)
	(429)
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents Beginning of Year	651
Cash and Cash Equivalents End of Year	\$196
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$76,040)
Adjustments:	
Donated Commodities Used During Year	13,887
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	643
Materials and Supplies Inventory	27
Inventory Held for Resale	(51)
Prepaid Items	(2,417)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(3,454)
Accrued Wages	390
Compensated Absences Payable	(41)
Intergovernmental Payable	(206)
	8,778
Total Adjustments	8,778
Net Cash Used for Operating Activities	(\$67,262)

See accompanying notes to the general purpose financial statements.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL

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

The School District operates under a locally elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 47 classified employees, 65 certified full-time and 1 certified part-time teaching personnel, and 5 administrators who provide services to 1,039 students and other community members.

Reporting Entity

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

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

The School District is associated with five jointly governed organizations and two public entity risk pools. These organizations are the Trumbull County Joint Vocational School, the North East Ohio Management Information Network, the North East Ohio Instructional Media Center, the North East Ohio Special Education Regional Resource Center, the Region 12 Professional Development Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Trumbull County Insurance Consortium. These organizations are presented in Notes 20 and 21 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for rate determination.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, the School District had no investments.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$80,674, which includes \$19,838 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Education Management Information Systems
Title I
Title VI
Title VI-B
Title VI-R
Professional Development Block Grant
Textbooks/Instructional Materials
Ohio Reads Grant
Summer Intervention

Capital Projects Funds

School Net Plus

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-eight percent of the School District's governmental fund's operating revenue during the 2000 fiscal year.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

The liability for compensated absences is based on the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are generally considered not to have been paid with current available resources. Capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund may be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Asset/Liability

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term interfund loans are classified as "interfund receivables" or "interfund payables".

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Estimates

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

O. Memorandum Only - Totals Columns

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. ACCOUNTABILITY

A. Fund Deficits

Fund Balances at June 30, 2000, included the following individual fund deficits:

Special Revenue Funds:

Professional Development	\$10
EMIS	22
DPIA	22
Ohio Reads Grant	22
Title I	205

Enterprise Fund:

Food Service	34,858
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The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

The enterprise fund deficit was created by the application of generally accepted accounting principles. It is anticipated that the deficit will be reduced with continued prudent management.

4. STATEMENT OF FUND EQUITY

At December 31, 1999, the balance in the general fixed asset account group was restated from \$3,544,354 to \$3,620,182. This increase of \$75,828 was the result of understated fixed asset additions. The balance in the general long-term obligations account group was restated from \$857,875 to \$936,914. This increase was the result of overstated intergovernmental payables of \$3,218 and understated compensated absences of \$82,255 respectively.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$707,850	\$76,628	\$0	(\$27,284)
Revenue Accruals	(14,893)	0	0	0
Expenditure Accruals	90,498	(1,754)	0	0
Reclassified for Debt				
Principal Retirement	0	0	(185,190)	0
Interest and Fiscal Charges	5,586	0	(5,586)	0
Intergovernmental Revenue	(190,776)	0	190,776	0
Unreported Cash	(9,187)	0	0	0
Encumbrances	(263,350)	(17,833)	0	(7,915)
Budget Basis	<u>\$325,728</u>	<u>\$57,041</u>	<u>\$0</u>	<u>(\$35,199)</u>

Net Income (Loss)/Excess of Revenues Over (Under)
Expenses and Operating Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$28,396)
Revenue Accruals	28,932
Expense Accruals	(991)
Budget Basis	<u>(\$455)</u>

6. CASH AND CASH EQUIVALENTS

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

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

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. CASH AND CASH EQUIVALENTS (Continued)

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 accounts including passbook accounts.

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

Interim monies may be 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 daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. CASH AND CASH EQUIVALENTS (Continued)

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

Deposits At year end the carrying amount of the School District's deposits was \$151,203 and the bank balance was \$216,210. Of the bank balance:

1. \$100,534 covered by federal depository insurance; and
2. \$115,676 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments GASB statement 3 requires investments to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,611,116	\$0
Investments which are part of a cash management pool:		
STAROhio	(1,459,913)	1,459,913
GASB Statement 3	\$151,203	\$1,459,913

7. PROPERTY TAXES

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

Real property taxes are levied after April 1, 2000, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property taxes currently are assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999 on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$81,462,790	82.22%	\$102,501,710	86.81%
Public Utility	8,259,310	8.79	8,209,298	6.96
Tangible Personal Property	8,850,782	8.99	7,359,740	6.23
Total Assessed Value	\$98,572,882	100.00%	\$118,070,748	100.00%

Tax rate per \$1,000 of
assessed valuation

\$54.00

\$62.78

The School District passed an 8.7 mill continuing levy in November of 1999. The collection on this levy will begin in January of 2001.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$28,818 and is recognized as revenue in the general fund.

8. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables consisted of \$950 in the general fund for Drivers' Education Subsidy and \$7,001 in the food service enterprise fund for the national school lunch program.

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$62,982
Less Accumulated Depreciation	(62,553)
Net Fixed Assets	\$429

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land	\$309,200	\$0	\$0	\$309,200
Buildings	1,460,441	133,885	0	1,594,326
Improvements Other than	97,555	26,010	0	123,565
Furniture, Fixtures and	1,263,332	162,261	18,298	1,407,295
Vehicles	489,654	52,617	0	542,271
Totals	\$3,620,182	\$374,773	\$18,298	\$3,976,657

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Indiana Insurance for property, fleet and inland marine coverage and Nationwide Insurance for liability insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$14,657,093
Inland Marine Coverage (\$100 deductible)	378,410
Crime Insurance (\$100 deductible)	3,000
Automobile Liability (\$50 deductible on comprehensive) (\$250 deductible on collision)	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$50 deductible)	250,000

Coverages provided by Nationwide are as follows:

General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

B. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has contracted with the Trumbull County School Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. Mathews Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$458.11 for family coverage and \$176.19 for single coverage per employee per month. If hired after September, 1989, premiums are \$456.07 and \$175.46, respectively. The School District also pays medical premiums for HMO coverage of \$501.47 for family coverage and \$220.36 for single coverage per employee per month.

Dental, vision, and prescription drug insurance are also provided through the Trumbull County School Employee Insurance Benefits Consortium. Premiums for dental coverage are \$84.92 monthly for family coverage and \$29.63 for single coverage. Monthly premiums for vision insurance are \$5.98 family coverage and \$2.32 single coverage. Monthly premiums for prescription drug insurance is \$79.46 for family and single coverage. The plan utilizes a \$5 deductible for name brand drugs and \$2 for generic type drugs.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$41,581, \$53,497 and \$76,469, respectively; 63.82 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$15,045 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1999, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$176,094, \$278,990 and \$311,465, respectively; 83.29 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$29,424 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$234,792 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 2.20 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$52,864.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 400 days for classified employees and unlimited for certified employees. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit (up to 150 days), not to exceed 50 days, as well as one day for every ten days over 150 days for classified employees. For certified employees who retire in their first year of eligibility, payment is made for one-third of accrued, but unused sick leave credit (up to 180 days), not to exceed 60 days, as well as one-tenth of a day for each day over 180 days. For certified employees who do not retire in their first year of eligibility, payment is made for one-third of accrued, but unused sick leave credit (up to 135 days), not to exceed 35 days, as well as one-tenth of a day for each day over 135 days.

B. Life Insurance

Life insurance is provided to all employees. Classified employees receive \$26,000, full time certified employees receive \$40,000, part time classified employees receive \$16,000, and administrators receive an amount based on their salary up to a maximum of \$50,000, with the exception of the superintendent, who receives a maximum of \$150,000.

14. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,578,992 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. STATE SCHOOL FUNDING DECISION (Continued)

The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

15. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

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

16. FUND OBLIGATIONS

Energy Conservation Loan - On March 6, 1998, Mathews Local School District issued \$356,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Section 133.10(E). The loan was issued for a two year period with final maturity during fiscal year 2000. The loan was retired from the debt service fund.

	Balance 6/30/99	Additions	Reductions	Outstanding 6/30/00
General Fund				
1998 Energy Conservation Loan 5.50%	\$185,190	\$0	\$185,190	\$0

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

17. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
1993 EPA Asbestos Loan 0%	\$169,215	\$0	\$12,961	\$156,254
Capital Leases	4,509	0	1,803	2,706
Pension Obligation	44,292	50,555	44,292	50,555
Compensated Absences	639,861	785,640	639,861	785,640
<i>Total General Long-Term Obligations</i>	<u><u>\$857,877</u></u>	<u><u>\$836,195</u></u>	<u><u>\$698,917</u></u>	<u><u>\$995,155</u></u>

EPA Asbestos Loan - On April 16, 1993, Mathews Local School District obtained a loan in the amount of \$233,300 for the purpose of providing asbestos removal for the School District. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2011. The loan was paid from the capital projects fund in fiscal year 2000.

Capital leases will be paid from the general fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$10,627,916 with an unvoted debt margin of \$118,088 at June 30, 2000.

Principal requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal
2001	\$12,961
2002	12,961
2003	12,961
2004	12,961
2005	12,961
2006-2010	64,805
2011-2013	26,644
<i>Total</i>	<u><u>\$156,254</u></u>

18. CAPITAL LEASES - LESSEE DISCLOSURE

In the prior years, the School District entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

18. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$48,878. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$1,803 the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	Amount
2001	\$1,997
2002	1,997
Total	3,994
Less: Amount Representing Interest	(1,288)
Present Value of Net Minimum Lease Payments	\$2,706

19. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects in a summarized format the more significant financial data relating to the enterprise funds of the Mathews Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$170,375	\$20,297	\$190,672
Operating Expenses	245,204	21,508	266,712
Operating Loss	(74,829)	(1,211)	(76,040)
Donated Commodities	13,887	0	13,887
Operating Grants	24,952	0	24,952
Operating Transfers	7,500	1,305	8,805
Net Income (Loss)	(28,490)	94	(28,396)
Net Working Capital	(31,535)	94	(31,441)
Total Assets	15,062	94	15,156
Total Equity (Deficit)	(34,858)	94	(34,764)

20. JOINTLY GOVERNED ORGANIZATIONS

Trumbull County Joint Vocational School - The Trumbull County Joint Vocational School 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 fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

North East Ohio Management Information Network (NEOMIN) - NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Mathews Local School District contributed \$12,288 to NEOMIN during fiscal year 2000.

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 principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Mathews Local School District was not represented on the Governing Board during fiscal year 2000. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2000, Mathews Local School District contributed \$1,457, which is \$1.40 per student. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

21. PUBLIC ENTITY RISK POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Shared Risk Pool

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

22. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

22. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

	Textbooks	Capital Improvement	Budget Stabilization
Set-aside Reserve Balance as of			
June 30, 1999	\$13,534	\$0	\$35,910
Current Year Set-Aside Requirement	136,790	136,790	0
Current Year Offset	0	(156,338)	0
Qualifying Disbursements	(187,271)	(163,029)	0
Set-aside Balance Carried Forward to Future Fiscal	(\$36,947)	(\$182,577)	\$35,910
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$35,910

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvement set aside amounts below zero. These extra amounts may be used to reduce the set aside requirements in future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook and capital improvements set-aside, this amount may not be used to reduce the set-aside requirement of future years. These negative balances are therefore not presented as being carried forward to future years. The total reserve balance for the three set asides at the end of the fiscal year was \$35,910.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education
Mathews Local School District
Trumbull County
4429 Warren Sharon Rd., NE, Box 157
Vienna, Ohio 44473

We have audited the financial statements of the Mathews Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mathews Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mathews Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 18, 2001.

Board of Education
Mathews Local School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

January 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MATHEWS LCOAL 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
FEBRUARY 6, 2001**