



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Mathews Local School District  
4429 Warren-Sharon Road  
Vienna, Ohio 44473

To the Board of Education,

We have audited the accompanying basic financial statements of the Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic 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, 2001, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statement 34.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2002 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

**Jim Petro**  
Auditor of State

March 14, 2002

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**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

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It is a privilege to present to you the financial picture of Mathews Local School District. Included in these first few paragraphs and tables is the management's view of how our School District is currently performing. It is intended that this presentation be an objective and easily read analysis of the overall financial condition of our School District. Please consider our comments along with the financial statements, and notes to fully understand our School District's finances.

### **Financial Highlights**

- The School District showed an increase in net assets of \$910,026 during this year's operations. Net assets of governmental activities increased \$920,859 of the increase while business-type activities showed a decrease in net assets of \$10,833.
- Total District wide revenues were \$8,146,056. General revenues accounted for \$7,404,678 of this total with program revenues accounting for the remainder of \$741,378.
- The School District's business-type activities are comprised of the Food Service and Uniform School Supplies (workbooks) Funds. These activities demonstrated an increase in revenue of \$29,168 or 11.7 percent. The corresponding expenses also increased by \$39,230 or 15.2 percent. Because the increase in expenses was more than the increase in revenue, the District's business-type activities showed an accumulated deficit of \$41,845. The Board of Education pondered raising lunch prices but declined to do so. The District already has the highest lunch prices in Trumbull County. The District management is looking for ways to alleviate the negative balance in the future.
- The Mathews Local School District noted significant growth in real estate revenue. Our general fund tax collections increased by \$634,462. The majority of this increase is due to receiving the full revenue generated by the 12.68 mill operating levy approved by the voters May 4, 1999. The District received only one-half of the revenue generated by this levy in the prior year. The rest of the increase is due to new construction and the reappraisal performed in August 1999. Every six years the county revalues all property. If property is valued at a higher rate, the School District receives an increase in taxes on its 5.9 mills of inside or unvoted millage.

### **Using This Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Assets and the Statement of Activities (on page 12 and 14-15) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Major fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what funds remain for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the government.

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

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**Reporting the School District as a Whole (District-Wide)**

*Statement of Net Assets and the Statement of Activities*

Analysis of the School District as a whole begins on page 6. One of the most important questions asked when analyzing any business entity is "How did we do financially during 2001?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting is the method used by most private-sector companies. The most important aspect of accrual accounting is that all of the year's revenues and expenses are reported regardless of when cash is received or paid out.

These two statements report the net assets of the School District and note any changes in those assets. This change in assets is important because it tells the reader whether, for the School District as a whole, the financial position has improved or deteriorated. However, in evaluating the overall position of the School District, non-financial information such as changes in property values, tax levies, or state funding will also need to be evaluated before you can reach a final conclusion about the School District's financial status.

In the Statement of Net Assets and the Statement of Activities, we show the School District divided into two kinds of activities:

- **Governmental Activities** - All of the School District's instructional activities are reported here. Property taxes, state, and federal grants and fees finance the majority of activity in this group.
- **Business-Type Activities** - A business type activity is one in which the Board of Education charges a fee to customers to help it recover some or all of the costs incurred in a program. The School District's school lunch and workbook programs are reported here.

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

*Fund Financial Statements*

Analysis of the School District's major funds begins on page 8. The fund financial statements begin on page 16 and provide detailed information about each significant fund in contrast to the previously described district-wide reporting. Most of the funds are required to be established by state law.

**Governmental Funds** - Most of the School District's funds are reported as governmental funds. These reports focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These reports are done on a modified accrual basis. Modified accrual accounting measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed, short-term view of the School District's general government operations and the basic services it provides. There are differences between governmental funds (as reported in this section on a modified accrual basis) and governmental activities as reported in the Statement of Net Assets and the Statement of Activities, which are reported on a full accrual basis. These differences are reconciled in the financial statements.



**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

Proprietary Funds - The Board of Education charges students for school lunch. The money collected is intended to defray expenses necessary to cook and serve lunch. Each year the Board reviews reports detailing revenues and expenses. The Board then decides whether to raise prices. Another proprietary fund is the uniform supplies fund. Workbooks are purchased through this fund. Students are charged for their workbooks because, unlike a textbook, workbooks cannot be used the next year. Workbooks are "consumed" by the students. It has been the history at the Mathews Local School District for both the school lunch and workbook funds to end the year in a deficit financial position.

**The School District as a Whole**

The School District's total net assets were up significantly from a year ago. In Table I, we show an increase from \$2,682,676 to \$3,592,702 or an increase of \$910,026. The increase in net assets is encouraging news and shows that the School District was able to increase its financial health despite the addition of three new teachers, additional maintenance and transportation personnel, additional furniture and equipment, and major repair work to the buildings.

**(Table 1)**  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2001	2000	2001	2000	2001	2000
<b>Assets</b>						
Current and Other Assets	\$6,523,241	\$6,137,215	\$8,327	\$14,727	\$6,531,568	\$6,151,942
Capital Assets	2,931,556	2,368,931	2,631	429	2,934,187	2,369,360
<b>Total Assets</b>	<b>9,454,797</b>	<b>8,506,146</b>	<b>10,958</b>	<b>15,156</b>	<b>9,465,755</b>	<b>8,521,302</b>
<b>Liabilities</b>						
Long-Term Liabilities	998,602	944,600	18,122	16,200	1,016,724	960,800
Other Liabilities	4,821,648	4,847,858	34,681	29,968	4,856,329	4,877,826
<b>Total Liabilities</b>	<b>5,820,250</b>	<b>5,792,458</b>	<b>52,803</b>	<b>46,168</b>	<b>5,873,053</b>	<b>5,838,626</b>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Related Debt	2,787,552	2,209,971	2,631	3,031	2,790,183	2,213,002
Restricted	411,650	378,948	0	0	411,650	378,948
Unrestricted (Deficit)	435,345	124,769	(44,476)	(34,043)	390,869	90,726
<b>Total Net Assets</b>	<b>\$3,634,547</b>	<b>\$2,713,688</b>	<b>(\$41,845)</b>	<b>(\$31,012)</b>	<b>\$3,592,702</b>	<b>\$2,682,676</b>

Current and Other Assets increased by \$379,626. This increase is primarily due to revenue exceeding expenses during the current year, which increased cash by \$317,454.

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
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Capital assets were added in the gross amount of \$754,264. The majority of this increase is from the renovation of the wood and metal shops at Neal Middle School and Mathews High School. These shops were transformed into fully equipped, fully furnished computer labs and ITCA (Industrial Technology Career Academy) labs. Both Neal Middle School and Mathews High School now house one of each type of lab. To arrive at the net increase in capital assets of \$562,625 in governmental activities, you must subtract this year's depreciation expense of \$176,997 and also the residual (or undepreciated) value of the disposed equipment of \$14,642.

The net assets of our business-type activities decreased by \$10,833. This decrease is due to expenses exceeding revenue.

The District transferred \$91,233 from the General Fund to other funds so that these funds would end the year in a positive financial position. In Table 2, the funds that received these transfers are listed.

**(Table2)**  
**Transfers**

	Between Governmental Funds	Between Governmental and Business-Type Funds
Food Service	\$0	\$3,420
Uniform School Supplies (Workbooks)	0	2,467
Athletic Fund	85,346	0
Total Transfers	\$85,346	\$5,887

The School District has regularly made transfers into the food service and uniform school supplies. Beginning in fiscal year 2000, transfers were added for athletic and student activity funds to offset supplementary salary contracts. Previously these salaries were paid with general fund monies. It is the Board's intention now to pay these salaries out of their respective funds and then transfer in the necessary balance at the fiscal year-end.

Table 3 highlights the District's revenue and expenses. The expenses are subtracted from the revenues to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as restricted grants (operating and capital), charges for services and fees. General revenue includes taxes and unrestricted grants such as State Foundation support.

Expenses shown in programs are easily identifiable to a particular function utilizing the current Uniform School Accounting System (USAS) coding structure.

Since this is the first year the School District has prepared financial statements according to GASB Statement 34, revenue and expense comparisons to fiscal year 2000 are not available. In succeeding reporting years, this table will present two fiscal years in side-by-side comparisons. This comparison will enable the reader to draw further conclusions about the District's current financial status and possibly predict future problems.

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

**(Table 3)**  
**Program Revenues, Expenses and Transfers**

	Governmental Activities 2001	Business-Type Activities 2001	Total 2001
<b>Revenues and Transfers</b>			
Program Revenues:			
Charges for Services	\$126,495	\$199,948	\$326,443
Operating Grants	267,072	78,323	345,395
Capital Grants	69,540	0	69,540
Total Program Revenues:	<u>463,107</u>	<u>278,271</u>	<u>741,378</u>
General Revenue:			
Property Taxes	4,195,987	0	4,195,987
Grants and Entitlements	3,067,216	0	3,067,216
Other	141,475	0	141,475
Total General Revenues:	<u>7,404,678</u>	<u>0</u>	<u>7,404,678</u>
Transfer In	<u>0</u>	<u>5,887</u>	<u>5,887</u>
Total Revenues and Transfers	<u>7,867,785</u>	<u>284,158</u>	<u>8,151,943</u>
<b>Program Expenses</b>			
Instruction:			
Regular	3,100,721	0	3,100,721
Special	343,047	0	343,047
Vocational	204,053	0	204,053
Support Services:			
Pupil	500,792	0	500,792
Instructional Staff	225,417	0	225,417
Board of Education	181,907	0	181,907
Administration	518,417	0	518,417
Fiscal	243,581	0	243,581
Operation and Maintenance of Plant	1,022,670	0	1,022,670
Pupil Transportation	384,908	0	384,908
Central	64,168	0	64,168
Extracurricular Activities	151,174	0	151,174
Interest and Fiscal Charges	184	0	184
Food Service	0	273,998	273,998
Uniform School Supplies	0	20,993	20,993
Total Expenses	<u>6,941,039</u>	<u>294,991</u>	<u>7,236,030</u>
Transfer Out	<u>5,887</u>	<u>0</u>	<u>5,887</u>
Increase (Decrease) in Net Assets	<u>\$920,859</u>	<u>(\$10,833)</u>	<u>\$910,026</u>

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

**Analysis of Overall Financial Positions and Results of Operations**

The financial position of the Mathews Local School District improved over the past fiscal year. There were several reasons for this gain and they have been described above. Expenses in all areas were within expectations. Capital purchases were anticipated higher than normal due to the planned renovations at Neal Middle School and Mathews High School. We also continued to add furniture and equipment as noted in Table 5.

Table 4 below discloses an interesting piece of information. The total cost of service column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns of \$463,107 would represent restricted grants, fees, and donations.

**(Table 4)**  
**Governmental Activities**

Programs	Total Cost Of Services 2001	Net Cost Of Services 2001
Instruction	\$3,647,821	\$3,427,965
Support Services:		
Pupils and Instructional Staff	726,209	617,470
Board of Education, Administration, And Fiscal Services	943,905	938,905
Operation and Maintenance of Plant	1,022,670	1,022,670
Pupil Transportation	384,908	360,663
Central	64,168	64,168
Extracurricular	151,174	45,907
Interest and Fiscal Charges	184	184
Total Expenditures	\$6,941,039	\$6,477,932

**The District's Funds**

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,778,644 and expenditures of \$7,445,715. The most significant change in our funds is the increase in tax monies received therefore increasing our District's cash balance.

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

**General Fund Financial Activity**

The most significant governmental fund is the general fund. The fund balance of the general fund increased by \$290,770 to \$887,462. This increase was due to additional real estate revenue and also revenue exceeding expenditures.

**General Fund Budgetary Highlights**

The forecasted budget presented to the Mathews Local Board of Education in September was amended several times throughout the year. For the General Fund, original budgeted revenues were \$7,158,661. The final budgeted revenues were \$7,193,577. Most of the difference of \$34,916 was due to an original conservative estimate of State Foundation receipts. The final estimated revenue was within one percent of the actual revenue of \$7,219,296.

Original budgeted expenditures in the general fund were \$7,354,234. The final budgeted expenditures were \$7,210,761. The decrease in the estimate of \$143,473 was due to a recalculation of all expenditures in December 2000 to align the expenditures with those of the Five Year Forecast. The final estimated expenditures were within 2.6 percent of the actual expenditures of \$7,026,311.

**Capital Assets**

The following table shows ending balances of capital assets invested in various categories. You will notice that we are showing net additions (less the depreciation expense) of \$562,625 in governmental activities. As stated earlier, most of this increase can be attributed to the newly renovated computer and ITCA labs at Neal Middle School and Mathews High School. The School District also purchased a total of 146 computers. Forty-three of the computers were purchased with grants from Ohio SchoolNet, State Library of Ohio, and Ohio Department of Education School Building Incentive. Some other equipment purchases include: desks, chairs, lockers, printers, musical instruments, gas ranges, electric ranges, and a PA system. Textbooks and library books were also purchased. Additional land was purchased adjacent to Baker Elementary School. The District now has enough land in one location to satisfy any building requirements of the Ohio School Facilities Commission.

The ending balance of capital assets in the business-type activities shows an increase of \$2,202 compared to the prior year. This increase is due to purchases in the food service activity.

**(Table 5)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Land	\$341,567	\$309,200	\$0	\$0	\$341,567	\$309,200
Land Improvements	216,240	239,917	0	0	216,240	239,917
Buildings and Improvements	1,237,555	991,752	0	0	1,237,555	991,752
Furniture and Equipment	746,513	431,408	2,631	429	749,144	431,837
Vehicles	266,898	315,675	0	0	266,898	315,675
Textbooks and Library Books	122,783	80,979	0	0	122,783	80,979
<b>Totals</b>	<b>\$2,931,556</b>	<b>\$2,368,931</b>	<b>\$2,631</b>	<b>\$429</b>	<b>\$2,934,187</b>	<b>\$2,369,360</b>

**Mathews Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

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**Debt**

The School District has no bonded indebtedness. The only debt of the District consists of a 20-year, interest free, asbestos loan. The balance as of June 30, 2001 is \$143,293. The District pays \$12,961 yearly on this loan, which will be paid in full November 2013.

As of June 30, 2001, the School District's overall legal debt margin was \$10,775,538 with an unvoted debt margin of \$119,728. Neither Moody's nor Standard & Poor's currently rate the Mathews Local School District. The School District will need to apply for a rating to ensure the lowest possible rate of borrowing prior to beginning any major building project.

**Current Issues**

The Mathews Local School District has four aging buildings. The Ohio School Facilities Commission ranks Mathews 393 out of 612 districts in the State to receive classroom facilities funds. In other words, 392 school districts will receive funds before Mathews does. This ranking is based on property tax valuation per pupil. Because of this ranking, it is not anticipated that the District will receive any construction funds from the State of Ohio until 2008 at the earliest. The Ohio School Facilities Commission has determined the local share of the Mathews taxpayer to be 65 percent with the State of Ohio contributing 35 percent to any new or remodeled facilities.

Since the District is not eligible for the Classroom Facilities Assistance Program within two years, the District has applied for and been approved to participate in the School Building Assistance Expedited Local Partnership Program. Under the "Expedited" program, the District can apply the expenditure of local resources for the construction of classroom facilities or major repairs toward the School District's portion required when the District becomes eligible for such State assistance.

The School District does not anticipate placing any new levies on the ballot. It does, however, require passage of the following renewals if it is to have a secure future: 2.0 mill permanent improvement levy-November 2002, 12.68 mill operating levy-November 2003, and 8.7 mill operating levy-November 2004.

The Mathews Local School District became a "guarantee" District in fiscal year 2000. A guarantee District receives additional State Foundation aid on top of the current year's calculated amount to bring the District up to the fiscal year 1998 funding level. The current year's calculated amount of State aid is based on the number of pupils times the per pupil amount times the State share. The State share is determined by the property valuation of the District. A higher property valuation equals a lower State share. Because Mathews student population has declined since 1999 and the property value of the District has risen, the calculated amount of State aid has also declined. For fiscal year 2001, the District received \$128,915 in additional State aid due to the guarantee. The State legislature decides with every biennial budget whether they will continue the guarantee. The discontinuance of the guarantee would have a unfavorable impact on the District's finances in the future.

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*Management's Discussion and Analysis*  
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Retirement of employees can have a large impact on all school districts. School districts pay much higher wages to employees with a large number of years of service. It is normal to save \$20,000 or more per year on each retired employee replaced with a new employee. Some of that savings is negated due to severance benefits, but still a sizable savings can be realized. The District has six employees nearing retirement. These retirements will have a favorable impact on the District's finances in the future.

It is anticipated that the annual transfer amount to the food service enterprise fund will increase. The reason for the anticipated increase in the transfer amount to food service is that the food service personnel received a salary increase. The program will also be negatively impacted by an increase in medical premiums. Because of the decrease in revenues and the increase in expenses the year-end transfer to food service will be greater. All supplemental contract employees received a salary increase. This increase in salaries will equate into greater transfers for both athletic and student activity funds.

The cost of employee benefits is one of the largest expenditures to a district. The Mathews Local Board of Education provides the following benefits to its employees: medical, prescription, dental, vision, and life insurances. Effective January 1, 2002, the District will receive a 40.6 percent increase in its medical and prescription costs. This increase equates to \$296,000 per year in additional expenses based on the current staff. Needless to say, this increase will have a major negative effect on the financial condition of the School District. The School District is currently seeking alternative sources of benefits to offset the increase. The School District realizes that prudent management will be necessary to keep the District operating in a positive financial position.

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

These financial reports and discussions are designed to provide our students, citizens, taxpayers, investors, and creditors with a complete disclosure of the School District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have any questions about this report or need additional financial information, please write Teri S. Andrika, Treasurer, Mathews Local School District, 4434-B Warren-Sharon Rd., Vienna, Ohio 44473 or call (330) 394-1800 or Email [teri.andrika@neomin.org](mailto:teri.andrika@neomin.org).

**Mathews Local School District***Statement of Net Assets**June 30, 2001*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,903,281	\$131	\$1,903,412
Accounts Receivable	5,097	0	5,097
Intergovernmental Receivable	7,385	0	7,385
Prepaid Items	66,024	1,843	67,867
Inventory Held for Resale	0	5,344	5,344
Materials and Supplies Inventory	26,929	1,009	27,938
Taxes Receivable	4,514,525	0	4,514,525
Nondepreciable Capital Assets	341,567	0	341,567
Depreciable Capital Assets, Net	2,589,989	2,631	2,592,620
<i>Total Assets</i>	<u>9,454,797</u>	<u>10,958</u>	<u>9,465,755</u>
<b>Liabilities</b>			
Accounts Payable	61,733	0	61,733
Accrued Wages	566,491	18,119	584,610
Intergovernmental Payable	132,852	10,787	143,639
Capital Leases Payable	711	0	711
Deferred Revenue	4,059,861	5,775	4,065,636
Long-Term Liabilities:			
Due Within One Year	44,897	0	44,897
Due In More Than One Year	953,705	18,122	971,827
<i>Total Liabilities</i>	<u>5,820,250</u>	<u>52,803</u>	<u>5,873,053</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,787,552	2,631	2,790,183
Restricted for:			
Capital Projects	332,476	0	332,476
Other Purposes	79,174	0	79,174
Unrestricted (Deficit)	435,345	(44,476)	390,869
<i>Total Net Assets (Deficit)</i>	<u>\$3,634,547</u>	<u>(\$41,845)</u>	<u>\$3,592,702</u>

See accompanying notes to the basic financial statements



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**Mathews Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2001

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,100,721	\$21,228	\$35,488	\$69,540
Special	343,047	0	93,600	0
Vocational	204,053	0	0	0
Support Services:				
Pupil	500,792	0	70,521	0
Instructional Staff	225,417	0	38,218	0
Board of Education	181,907	0	0	0
Administration	518,417	0	5,000	0
Fiscal	243,581	0	0	0
Operation and Maintenance of Plant	1,022,670	0	0	0
Pupil Transportation	384,908	0	24,245	0
Central	64,168	0	0	0
Extracurricular Activities	151,174	105,267	0	0
Interest and Fiscal Charges	184	0	0	0
<i>Total Governmental Activities</i>	<u>6,941,039</u>	<u>126,495</u>	<u>267,072</u>	<u>69,540</u>
<b>Business-Type Activities</b>				
Food Service	273,998	181,385	78,323	0
Uniform School Supplies	20,993	18,563	0	0
<i>Total Business-Type Activities</i>	<u>294,991</u>	<u>199,948</u>	<u>78,323</u>	<u>0</u>
<i>Totals</i>	<u>\$7,236,030</u>	<u>\$326,443</u>	<u>\$345,395</u>	<u>\$69,540</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Transfer

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year (Deficit) - (See Note 3)*

*Net Assets End of Year (Deficit)*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$2,974,465)	\$0	(\$2,974,465)
(249,447)	0	(249,447)
(204,053)	0	(204,053)
(430,271)	0	(430,271)
(187,199)	0	(187,199)
(181,907)	0	(181,907)
(513,417)	0	(513,417)
(243,581)	0	(243,581)
(1,022,670)	0	(1,022,670)
(360,663)	0	(360,663)
(64,168)	0	(64,168)
(45,907)	0	(45,907)
(184)	0	(184)
(6,477,932)	0	(6,477,932)
0	(14,290)	(14,290)
0	(2,430)	(2,430)
0	(16,720)	(16,720)
(6,477,932)	(16,720)	(6,494,652)
4,054,124	0	4,054,124
141,863	0	141,863
3,067,216	0	3,067,216
116,823	0	116,823
24,652	0	24,652
7,404,678	0	7,404,678
(5,887)	5,887	0
7,398,791	5,887	7,404,678
920,859	(10,833)	910,026
2,713,688	(31,012)	2,682,676
<u>\$3,634,547</u>	<u>(\$41,845)</u>	<u>\$3,592,702</u>

**Mathews Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2001*

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$1,477,481	\$329,766	\$96,034	\$1,903,281
Taxes Receivable	4,373,691	140,834	0	4,514,525
Accounts Receivable	5,097	0	0	5,097
Intergovernmental Receivable	0	0	7,385	7,385
Materials and Supplies Inventory	26,929	0	0	26,929
Prepaid Items	65,659	0	365	66,024
<i>Total Assets</i>	<u>\$5,948,857</u>	<u>\$470,600</u>	<u>\$103,784</u>	<u>\$6,523,241</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$45,181	\$14,790	\$1,762	\$61,733
Accrued Wages and Benefits	562,396	0	4,095	566,491
Intergovernmental Payable	87,854	0	1,253	89,107
Deferred Revenue	4,365,964	140,834	7,385	4,514,183
<i>Total Liabilities</i>	<u>5,061,395</u>	<u>155,624</u>	<u>14,495</u>	<u>5,231,514</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	110,307	58,645	22,085	191,037
Reserved for Inventory	26,929	0	0	26,929
Reserved for Property Taxes	7,727	0	0	7,727
Unreserved Undesignated, Reported in:				
General Fund	742,499	0	0	742,499
Special Revenue Funds	0	0	67,204	67,204
Capital Projects Funds	0	256,331	0	256,331
<i>Total Fund Balances</i>	<u>887,462</u>	<u>314,976</u>	<u>89,289</u>	<u>1,291,727</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,948,857</u>	<u>\$470,600</u>	<u>\$103,784</u>	<u>\$6,523,241</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2001*

<b>Total Governmental Funds Balances</b>	\$1,291,727
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,931,556
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Grants	7,385
Delinquent Property Taxes	<u>446,937</u>
Total	454,322
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(43,745)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(855,309)
Asbestos Loan	(143,293)
Capital Lease	<u>(711)</u>
Total	<u>(999,313)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$3,634,547</u></u>

**Mathews Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2001*

	General	Permanent Improvement Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$3,958,707	\$141,863	\$0	\$4,100,570
Intergovernmental	3,076,685	15,726	317,583	3,409,994
Interest	116,823	0	0	116,823
Tuition and Fees	21,228	0	0	21,228
Extracurricular Activities	0	0	105,267	105,267
Contributions and Donations	110	0	0	110
Miscellaneous	24,652	0	0	24,652
<i>Total Revenues</i>	<u>7,198,205</u>	<u>157,589</u>	<u>422,850</u>	<u>7,778,644</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,339,484	0	196,384	3,535,868
Special	247,463	0	91,780	339,243
Vocational	163,620	0	0	163,620
Support Services:				
Pupil	426,458	0	70,926	497,384
Instructional Staff	243,683	0	34,129	277,812
Board of Education	181,907	0	0	181,907
Administration	525,709	0	5,000	530,709
Fiscal	257,716	0	0	257,716
Operation and Maintenance of Plant	1,021,130	0	5,520	1,026,650
Pupil Transportation	325,269	0	2,158	327,427
Central	62,612	0	0	62,612
Extracurricular Activities	18,972	0	134,860	153,832
Capital Outlay	0	75,795	0	75,795
Debt Service:				
Principal Retirement	1,995	12,961	0	14,956
Interest and Fiscal Charges	184	0	0	184
<i>Total Expenditures</i>	<u>6,816,202</u>	<u>88,756</u>	<u>540,757</u>	<u>7,445,715</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>382,003</u>	<u>68,833</u>	<u>(117,907)</u>	<u>332,929</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	85,346	85,346
Transfers Out	(91,233)	0	0	(91,233)
<i>Total Other Financing Sources (Uses)</i>	<u>(91,233)</u>	<u>0</u>	<u>85,346</u>	<u>(5,887)</u>
<i>Net Change in Fund Balances</i>	290,770	68,833	(32,561)	327,042
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>				
	598,326	246,143	121,850	966,319
Decrease in Reserve for Inventory	(1,634)	0	0	(1,634)
<i>Fund Balances End of Year</i>	<u>\$887,462</u>	<u>\$314,976</u>	<u>\$89,289</u>	<u>\$1,291,727</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Net Change  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2001*

**Net Change in Fund Balances - Total Governmental Funds** \$327,042

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

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

Capital Outlay	754,264	
Depreciation	(176,997)	
Total		577,267

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

Grants	(6,276)	
Delinquent Property Taxes	95,417	
Total		89,141

Repayment of the asbestos loan and capital lease principal is  
an expenditure in the governmental funds, but the repayment  
reduces long-term liabilities in the statement of net assets. 14,956

Governmental funds only report the disposal of fixed assets to  
the extent proceeds are received from the sale. In the  
statement of activities, a gain or loss is reported for each  
disposal. (14,642)

Some expenses reported in the statement of activities,  
such as compensated absences and intergovernmental  
payable, which represents contractually required pension  
contributions, do not require the use of current financial  
resources and therefore are not reported as expenditures  
in governmental funds.

Compensated Absences	(57,139)	
Pension Obligation	(14,132)	
Change in Inventory	(1,634)	
Total		(72,905)

*Change in Net Assets of Governmental Activities* \$920,859

**Mathews Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2001*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$3,983,822	\$3,981,942	\$3,979,798	(\$2,144)
Intergovernmental	3,000,785	3,052,735	3,077,635	24,900
Interest	145,474	120,000	118,452	(1,548)
Tuition and Fees	28,580	23,575	21,228	(2,347)
Contributions and Donations	0	0	110	110
Miscellaneous	0	15,325	22,073	6,748
<i>Total Revenues</i>	7,158,661	7,193,577	7,219,296	25,719
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,055,008	3,425,512	3,407,027	18,485
Special	368,119	271,363	250,864	20,499
Vocational	187,172	146,239	144,675	1,564
Support Services:				
Pupils	489,190	448,072	436,732	11,340
Instructional Staff	370,081	295,438	269,524	25,914
Board of Education	215,180	191,802	190,443	1,359
Administration	600,852	548,551	532,299	16,252
Fiscal	342,526	273,303	271,028	2,275
Operation and Maintenance of Plant	1,070,011	1,071,592	1,049,388	22,204
Pupil Transportation	567,423	450,638	388,636	62,002
Central	88,672	69,279	66,723	2,556
Extracurricular Activities	0	18,972	18,972	0
<i>Total Expenditures</i>	7,354,234	7,210,761	7,026,311	184,450
<i>Excess of Revenues Over (Under) Expenditures</i>	(195,573)	(17,184)	192,985	210,169
<b>Other Financing Uses</b>				
Operating Transfers Out	0	(94,157)	(91,233)	2,924
<i>Net Change in Fund Balance</i>	(195,573)	(111,341)	101,752	213,093
<i>Fund Balance Beginning of Year</i>	949,333	949,333	949,333	0
Prior Year Encumbrances Appropriated	263,350	263,350	263,350	0
<i>Fund Balance End of Year</i>	\$1,017,110	\$1,101,342	\$1,314,435	\$213,093

See accompanying notes to the basic financial statements



**Mathews Local School District**  
*Statement of Fund Net Assets*  
*Enterprise Funds*  
*June 30, 2001*

	Food Service	Uniform School Supplies	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$131	\$131
Prepaid Items	1,843	0	1,843
Inventory Held for Resale	5,344	0	5,344
Materials and Supplies Inventory	1,009	0	1,009
<i>Total Current Assets</i>	8,196	131	8,327
Capital Assets, Net	2,631	0	2,631
<i>Total Assets</i>	10,827	131	10,958
<b>Liabilities</b>			
Accrued Wages	18,119	0	18,119
Intergovernmental Payable	10,787	0	10,787
Deferred Revenue	5,775	0	5,775
<i>Total Current Liabilities</i>	34,681	0	34,681
Long-Term Liabilities:			
Compensated Absences Payable	18,122	0	18,122
<i>Total Liabilities</i>	52,803	0	52,803
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,631	0	2,631
Unrestricted (Deficit)	(44,607)	131	(44,476)
<i>Total Net Assets (Deficit)</i>	(\$41,976)	\$131	(\$41,845)

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2001*

	Food Service	Uniform School Supplies	Total
<b>Operating Revenues</b>			
Sales	\$181,385	\$18,563	\$199,948
<b>Operating Expenses</b>			
Salaries	122,969	0	122,969
Fringe Benefits	41,216	0	41,216
Purchased Services	1,233	0	1,233
Materials and Supplies	0	13,995	13,995
Cost of Sales	108,180	6,998	115,178
Depreciation	400	0	400
<i>Total Operating Expenses</i>	<u>273,998</u>	<u>20,993</u>	<u>294,991</u>
<i>Operating Loss</i>	<u>(92,613)</u>	<u>(2,430)</u>	<u>(95,043)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	20,983		20,983
Operating Grants	57,340	0	57,340
<i>Total Non-Operating Revenues</i>	<u>78,323</u>	<u>0</u>	<u>78,323</u>
<i>Loss Before Transfers</i>	(14,290)	(2,430)	(16,720)
Transfers In	3,420	2,467	5,887
<i>Change in Net Assets</i>	(10,870)	37	(10,833)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(31,106)</u>	<u>94</u>	<u>(31,012)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$41,976)</u></u>	<u><u>\$131</u></u>	<u><u>(\$41,845)</u></u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Fiscal Year Ended June 30, 2001

	Food Service	Uniform School Supplies	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$181,697	\$18,563	\$200,260
Cash Payments to Employees for Services	(117,889)	0	(117,889)
Cash Payments for Employee Benefits	(41,216)	0	(41,216)
Cash Payments for Goods and Services	(87,853)	(20,993)	(108,846)
<i>Net Cash Used in Operating Activities</i>	(65,261)	(2,430)	(67,691)
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	64,341	0	64,341
Operating Transfers In	3,420	2,467	5,887
<i>Net Cash Provided by Noncapital Financing Activities</i>	67,761	2,467	70,228
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments for Capital Acquisitions	(2,602)	0	(2,602)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(102)	37	(65)
<i>Cash and Cash Equivalents Beginning of Year</i>	102	94	196
<i>Cash and Cash Equivalents End of Year</i>	\$0	\$131	\$131

(continued)

**Mathews Local School District**  
*Statement of Cash Flows*  
*Enterprise Funds (continued)*  
For the Fiscal Year Ended June 30, 2001

	Food Service	Uniform School Supplies	Total
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>			
<i>Operating Loss</i>	(\$92,613)	(\$2,430)	(\$95,043)
Adjustments:			
Depreciation	400	0	400
Donated Commodities Used During Year	20,983	0	20,983
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	312	0	312
Inventory Held for Resale	726	0	726
Materials and Supplies Inventory	(149)	0	(149)
Prepays	574	0	574
<i>Increase (Decrease) in Liabilities:</i>			
Accrued Wages	165	0	165
Compensated Absences Payable	1,922	0	1,922
Intergovernmental Payable	2,419	0	2,419
<i>Net Cash Used in Operating Activities</i>	<u>(\$65,261)</u>	<u>(\$2,430)</u>	<u>(\$67,691)</u>

See accompanying notes to the basic financial statements

**Mathews Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2001*

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	<u>Student Activities</u>
<b>Assets</b>	
Equity Pooled in Cash and Cash Equivalents	<u>\$32,715</u>
<b>Liabilities</b>	
Due to Students	<u>\$32,715</u>

See accompanying notes to the basic financial statements

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**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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**Note 1 - Description of the School District and Reporting Entity**

Mathews Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

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 49 classified employees, 70 certified full-time and 1 certified part-time teaching personnel, and 5 administrators who provide services to 1,001 students and other community members.

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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. There are no component units of the Mathews Local School District.

The School District participates in five jointly governed organizations and two public entity risk pools. These organizations are the Trumbull County Career and Technical Center, 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 Schools Employee Insurance Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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

The financial statements of Mathews Local 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 governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

***A. Basis of Presentation***

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

***Government-wide Financial Statements***

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

***Fund Financial Statements***

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



**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

***Governmental Funds***

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

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

***Permanent Improvement Capital Projects Fund*** - The permanent improvement capital projects fund accounts for property tax revenue and capital improvement grants to be used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

***Proprietary Funds***

Proprietary fund reporting focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The School District has no internal service funds. The following are the School District's proprietary funds:

***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise funds are:

***Food Service Fund*** This fund accounts for the financial transactions related to the food service operations of the School District.

***Uniform School Supplies Fund*** This fund accounts for the purchase and sale of school supplies for use in the School District. Profits derived from such sales are used for school purposes or activities connected with the school.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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***Fiduciary Funds***

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

***C. Measurement Focus***

***Government-wide Financial Statements***

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

***Fund Financial Statements***

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

Like the government-wide statements, the enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise funds.

***D. Basis of Accounting***

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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***Revenues - Exchange and Non-exchange Transactions***

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue***

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenditures/Expenses***

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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***E. Budgetary Process***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificated issued during fiscal year 2001.

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

***F. Cash and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Individual fund integrity is maintained through School District's records.

Mathews Local School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$116,823, which includes \$90,179 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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***G. Restricted Assets***

Assets are reported as restricted when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of the governments or imposed by enabling legislation. Restricted assets in the general fund represent cash and cash equivalents required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See note 16 for additional information regarding set-asides.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

***I. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of the Food Service enterprise fund are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

***J. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets utilized by the Food Service enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

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

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
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Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Land Improvements	20 years	N/A
Buildings and Improvements	99 years	N/A
Furniture and Equipment	8 - 20 years	20 years
Vehicles	10 years	N/A
Textbooks	5 years	N/A

***K. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In the Food Service enterprise fund, the entire amount of compensated absences is reported as a fund liability.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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

***N. Net Assets***

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

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

***O. Fund Balance Reserves***

The School District reserves those portions of fund balance 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, inventory, 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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the School District, these revenues are sales for food service and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

***Q. Contributions of Capital***

Contributions of capital in enterprise fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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***R. Interfund Transactions***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

***S. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2001.

***T. Estimates***

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

**Note 3 – Changes in Accounting Principles and Restatement of Fund Balance**

***Changes in Accounting Principles***

For fiscal year 2001, the School District has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs between governmental and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2000, caused by the conversion to the accrual basis of accounting.



**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
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The restatements for GASB Statement No. 33 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. GASB Statement No. 34 did not have an effect on business-type activities.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Permanent Improvement	Nonmajor	Total Governmental Activities
Fund Balance June 30, 2000	\$605,960	\$246,143	\$121,850	\$973,953
Understated Intergovernmental Payable	(20,164)	0	0	(20,164)
Implementation of Interpretation No. 6	12,530	0	0	12,530
Adjusted Fund Balance	<u>\$598,326</u>	<u>\$246,143</u>	<u>\$121,850</u>	966,319
GASB 34 Adjustments:				
Capital Assets				2,368,931
Long-Term Liabilities				(957,130)
Pension Obligation				(29,613)
Long-Term (Deferred) Assets				365,181
Governmental Activities Net Assets at June 30, 2000				<u>\$2,713,688</u>

**Note 4 - Accountability**

Fund balances at June 30, 2001, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
EMIS	\$22
Schoolnet Professional Development	9
Ohio Reads Grant	23
Chapter I	206
Chapter II	30
<i>Enterprise Fund:</i>	
Food Service	41,976

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 resulted from a pattern of expenses regularly exceeding revenues. Management is looking for ways to alleviate the deficit.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

GAAP Basis	\$290,770
Net Adjustment for Revenue Accruals	28,649
Unrecorded Cash	(7,558)
Net Adjustment for Expenditure Accruals	(54,621)
Adjustment for Encumbrances	(155,488)
Budget Basis	<u><u>\$101,752</u></u>

**Note 6 - Deposits and Investments**

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

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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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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.

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

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 invested in the following securities:

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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; and
6. The State Treasurer's investment pool (STAR Ohio).

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 to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or 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**  
*Notes to the Basic Financial Statements*  
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The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$156,703 and the bank balance was \$358,660. Of the bank balance:

4. \$100,000 of the bank balance was covered by depository insurance; and
5. \$258,660 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** GASB Statement No. 3 requires the School District's investments to be categorized 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAROhio	\$1,779,424

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,936,127	\$0
Investments which are part of a cash management pool:		
STAROhio	(1,779,424)	1,779,424
GASB Statement No. 3	\$156,703	\$1,779,424

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 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 tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes. 2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$102,501,710	82.22%	\$105,358,940	88.00%
Public Utility	8,209,298	8.79	7,136,110	5.96
Tangible Personal	7,359,740	8.99	7,233,146	6.04
Total Assessed Value	<u>\$118,070,748</u>	<u>100.00%</u>	<u>\$119,728,196</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$62.78		\$58.18	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

Accrued property taxes receivable represent delinquent taxes outstanding, personal property and public utility taxes which are measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30 is recognized as revenue. At June 30, 2001, \$7,727 was available as an advance to the general fund.

**Note 8 - Receivables**

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

Intergovernmental receivables consisted of \$7,385 in the reducing class size special revenue fund for operating grants.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$309,200	\$32,367	\$0	\$341,567
Capital Assets being depreciated:				
Land Improvements	542,870	7,915	(18,323)	532,462
Buildings and Improvements	1,571,266	263,639	0	1,834,905
Furniture and Equipment	1,087,905	386,820	(48,233)	1,426,492
Vehicles	540,696	0	(34,889)	505,807
Textbooks and Library Books	508,112	63,523	0	571,635
Totals Capital Assets being depreciated	\$4,250,849	\$721,897	(\$101,445)	\$4,871,301

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Less Accumulated Depreciation:				
Land Improvements	(\$302,953)	(\$22,506)	\$9,237	(\$316,222)
Buildings and Improvements	(579,513)	(17,836)	0	(597,349)
Furniture and Equipment	(656,497)	(67,434)	43,952	(679,979)
Vehicles	(225,021)	(47,501)	33,613	(238,909)
Textbooks and Library Books	(427,133)	(21,719)	0	(448,852)
Total Accumulated Depreciation	<u>(2,191,118)</u>	<u>(176,997) *</u>	<u>86,803</u>	<u>(2,281,312)</u>
Total Capital Assets being depreciated, net	<u>2,059,731</u>	<u>544,900</u>	<u>(14,642)</u>	<u>2,589,989</u>
Governmental Activities Capital Assets, Net	<u>\$2,368,931</u>	<u>\$577,267</u>	<u>(\$14,642)</u>	<u>\$2,931,556</u>
<b>Business-Type Activities</b>				
Furniture and Equipment	\$76,071	\$2,602	(\$3,165)	\$75,508
Less Accumulated Depreciation	<u>(75,642)</u>	<u>(400)</u>	<u>3,165</u>	<u>(72,877)</u>
Business-Type Activities Capital Assets, Net	<u>\$429</u>	<u>\$2,202</u>	<u>\$0</u>	<u>\$2,631</u>

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

Instruction:	
Regular	\$93,496
Special	1,664
Vocational	873
Support Services:	
Pupils	417
Instructional Staff	13,873
Administration	4,186
Fiscal	778
Operation and Maintenance of Plant	9,724
Pupil Transportation	43,768
Central	4,638
Extracurricular	3,580
Total Depreciation Expense	<u>\$176,997</u>

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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**Note 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 2001, the School District contracted for the following insurance coverage:

Building and Contents-replacement cost (\$1,000 deductible)	15,084,349
Inland Marine Coverage (\$100 deductible)	375,855
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, and there has been no significant reduction in insurance coverage from last year.

***B. Workers' Compensation***

The School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. Mathews Local School District pays a monthly



**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The Mathews Local 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Mathews Local 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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's Retirement Board. The Mathews Local School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$34,865, \$41,581, and \$53,497 respectively; 61.22 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$13,522 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The Mathews Local 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The Mathews Local School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund obligations was 6 percent. Contribution rates are established by STRS, upon recommendation 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, 2001, 2000, and 1999 were \$308,620, \$176,094, and \$278,990, respectively; 84.18 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$48,809 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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**Note 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 funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$454,809 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$95,887.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**Note 13 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and the treasurer 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 the treasurer 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 and administrators 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 \$300,000.

**Note 14 - Long-term Obligations**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01	Amounts Due In One Year
<b>Governmental-Type Activities</b>					
1993 EPA Asbestos Loan 0%	\$156,254	\$0	\$12,961	\$143,293	\$12,961
Compensated Absences	798,170	214,200	157,061	855,309	31,936
<i>Total Governmental Long-Term Activities</i>	<u>\$954,424</u>	<u>\$214,200</u>	<u>\$170,022</u>	<u>\$998,602</u>	<u>\$44,897</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$16,200</u>	<u>\$4,347</u>	<u>\$2,425</u>	<u>\$18,122</u>	<u>\$0</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 2013. The loan was paid from the capital projects fund in fiscal year 2001.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

Capital leases and compensated absences will be paid from the general fund.

The School District's overall legal debt margin was \$10,775,538 with an unvoted debt margin of \$119,728 at June 30, 2001.

Principal requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal
2002	\$12,961
2003	12,961
2004	12,961
2005	12,961
2006	12,961
2007-2011	64,805
2012-2013	13,683
<i>Total</i>	\$143,293

**Note 15 - 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.

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. Principal payments in fiscal year 2001 totaled \$1,995 in 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, 2001.

Fiscal Year Ending June 30,	Amount
2002	\$726
Less: Amount Representing Interest	15
Present Value of Net Minimum Lease Payments	\$711

**Note 16 - Set-Aside Calculations and Fund Reserves**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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.

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.

	Budget Stabilization Reserve	Textbook/ Instructional Materials	Capital Improvements
Set-aside balance as of June 30, 2000	\$35,910	(\$36,946)	\$0
Current year set-aside requirement	0	152,817	152,817
Reduction Authorized by Legislative Restrictions	(35,910)	0	0
Qualifying disbursements	0	(434,566)	(443,500)
Current year offsets	0	0	(157,589)
Totals	<u>\$0</u>	<u>(\$318,695)</u>	<u>(\$448,272)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>(\$318,695)</u>	<u>\$0</u>
Cash balance carried forward to Fiscal Year 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**Note 17 - Jointly Governed Organizations**

*Trumbull County Career and Technical Center* - The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio. The Center is 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.

*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 paid \$14,700 to NEOMIN during fiscal year 2001.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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The Governing Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, 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 2001. 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 2001, Mathews Local School District contributed \$1,411, 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.

*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 board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University. 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.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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**Note 18 - 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 Schools Employee Insurance Consortium* - The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**Note 19 - 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, 2001.

***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.

**Mathews Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**Note 20 - Interfund Transfers**

Transfers made during the year ended June 30, 2001 were as follows:

<b>Fund Name</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$0	\$91,233
All Other Governmental Funds	85,346	0
Total Governmental Funds	85,346	91,233
Business-Type Funds	5,887	0
Total	<u>\$91,233</u>	<u>\$91,233</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**Note 21 - Subsequent Event**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 11, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Mathews Local School District  
4429 Warren-Sharon Road  
Vienna, Ohio 44473

To the Board of Education,

We have audited the financial statements of Mathews Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated March 14, 2002, wherein we noted the District adopted Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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.

Mathews Local School District  
Trumbull County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

March 14, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**MATHEWS LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 16, 2002**