



Dave Yost • Auditor of State

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements: Government Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet –Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual (NON-GAAP Budgetary Basis) - General Fund	20
Statement of Fiduciary Assets and Liabilities	21
Notes to the Basic Financial Statements	22
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule Federal Awards Receipts and Expenditures	46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	49
Schedule of Findings.....	51

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 18, 2015

THIS PAGE INTENTIONALLY LEFT BLANK.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

As management of the Mathews Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net position increased during fiscal year 2014 due mainly to an increase in property tax revenue as well as to a decrease in the matured compensated absences liability. The increase in property tax revenue was the result of a 4.65 mill Emergency Levy that became effective in January 2013. Fiscal year 2014 was the first full year of property tax collections on this levy. The decrease in the matured compensated absences liability resulted from fewer employees eligible for severance retiring at year end.
- Net capital assets increased during fiscal year 2014 due to current year additions outpacing annual depreciation. Current year additions included land improvements for the elementary school and bus garage parking lots and the purchase of gym equipment and a new maintenance vehicle.
- Program expenses decreased due to lower instructional and support service expenditures resulting from the replacement of higher pay retirees with entry level employees as well as from a reduction in accrued severance payments.

Overview of the Financial Statements

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

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

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

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

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

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

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

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2014 compared to 2013.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
 Net Position
 Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$8,197,799	\$7,107,636	\$1,090,163
Capital Assets, Net	2,625,178	2,476,143	149,035
Total Assets	10,822,977	9,583,779	1,239,198
Liabilities			
Current Liabilities	1,128,093	1,309,973	181,880
Long-Term Liabilities			
Due Within One Year	222,860	222,295	(565)
Due in More Than One Year	185,507	232,215	46,708
Total Liabilities	1,536,460	1,764,483	228,023
Deferred Inflows of Resources	4,998,441	5,013,321	14,880
Net Position			
Net Investment in Capital Assets	2,625,178	2,476,143	149,035
Restricted for:			
Capital Projects	564,827	388,547	176,280
Other Purposes	32,238	6,515	25,723
Unrestricted (Deficit)	1,065,833	(65,230)	1,131,063
Total Net Position	\$4,288,076	\$2,805,975	\$1,482,101

Current assets increased due to an increase in collection of property taxes resulting from the passage of a new emergency levy which became effective in January 2013. Fiscal year 2014 was the first full year of property tax collections on the emergency levy. Current assets also increased due to \$300,000 in donations received from the Cafaro foundation for capital improvements. The increase in capital assets was due to current year additions to land improvements and the purchase of gym equipment and a new maintenance vehicle. The increase in net capital assets was partially offset by current year depreciation.

Current liabilities decreased during fiscal year 2014 due to a decrease in matured compensated absences payable resulting from fewer employees retiring at year end. Long-term liabilities decreased which can be attributed to a reduction in the compensated absences liability resulting from a drop in employee accumulated leave balances due to prior year retirements and resignations.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

Table 2			
Governmental Activities			
	2014	2013*	Change
Program Revenues			
Charges for Services and Sales	\$776,854	\$660,613	\$116,241
Operating Grants and Contributions	755,145	622,443	132,702
Capital Grants	331,248	30,703	300,545
<i>Total Program Revenues</i>	<u>1,863,247</u>	<u>1,313,759</u>	<u>549,488</u>
General Revenues			
Property Taxes	4,983,754	4,579,656	404,098
Grants and Entitlements	3,320,653	3,295,840	24,813
Unrestricted Contributions	5,918	0	5,918
Investment Earnings	3,414	2,756	658
Gain on Sale of Capital Assets	0	4,000	(4,000)
Gas Royalties	3,405	354,375	(350,970)
Miscellaneous	21,097	53,561	(32,464)
<i>Total General Revenues</i>	<u>8,338,241</u>	<u>8,290,188</u>	<u>48,053</u>
<i>Total Revenues</i>	<u>10,201,488</u>	<u>9,603,947</u>	<u>597,541</u>
Program Expenses			
Instruction:			
Regular	3,971,478	4,068,999	97,521
Special	832,050	873,930	41,880
Vocational	83,875	83,631	(244)
Student Intervention Services	165,063	123,929	(41,134)
Support Services			
Pupil	442,638	410,071	(32,567)
Instructional Staff	214,553	185,545	(29,008)
Board of Education	75,586	68,931	(6,655)
Administration	757,437	819,814	62,377
Fiscal	333,563	351,265	17,702
Business	2,464	332	(2,132)
Operation and Maintenance of Plant	752,719	745,759	(6,960)
Pupil Transportation	510,693	529,225	18,532
Central	52,075	88,735	36,660
Operation of Non-Instructional Services	896	15,354	14,458
Operation of Food Services	284,679	307,753	23,074
Extracurricular Activities	239,618	239,806	188
<i>Total Program Expenses</i>	<u>8,719,387</u>	<u>8,913,079</u>	<u>193,692</u>
<i>Change in Net Position</i>	1,482,101	690,868	791,233
Net Position Beginning of Year	2,805,975	2,115,107	690,868
Net Position End of Year	<u>\$4,288,076</u>	<u>\$2,805,975</u>	<u>\$1,482,101</u>

* Reclasses were made to 2013 to provide consistency in comparing current and prior year amounts.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48.85 percent of revenues for governmental activities for the School District in fiscal year 2014 versus 47.69 percent in fiscal year 2013.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teachers' salaries and benefits. Instructional expenditures decreased in fiscal year 2014 due to the replacement of certified retirees with entry level teachers. Instructional expenditures also decreased due to lower accrued severance payments. Support services, most notably administration, decreased in fiscal year 2014 due to a decrease in administration severance payments.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2014 compared to 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2014		2013*	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$3,971,478	\$3,439,793	\$4,068,999	\$3,620,040
Special	832,050	383,574	873,930	497,085
Vocational	83,875	68,944	83,631	69,897
Student Intervention Services	165,063	(17,951)	123,929	(11,025)
Support Services:				
Pupil	442,638	442,638	410,071	410,071
Instructional Staff	214,553	205,603	185,545	184,845
Board of Education	75,586	75,586	68,931	68,931
Administration	757,437	757,437	819,814	819,814
Fiscal	333,563	333,563	351,265	351,265
Business	2,464	2,464	332	332
Operation and Maintenance of Plant	752,719	414,761	745,759	712,696
Pupil Transportation	510,693	500,712	529,225	524,564
Central	52,075	52,075	88,735	81,535
Operation of Non-Instructional Services	896	896	15,354	15,354
Operation of Food Services	284,679	14,763	307,753	69,027
Extracurricular Activities	239,618	181,282	239,806	184,889
Total	\$8,719,387	\$6,856,140	\$8,913,079	\$7,599,320

* Reclasses were made to 2013 to provide consistency in comparing current and prior year amounts.

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

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to an increase in property taxes as well as to a drop in instructional and support service expenditures resulting from higher pay retirees being replaced with entry level hires.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The change was attributed mainly to increases in property taxes and intergovernmental revenue.

The final budget appropriations closely matched the original budget appropriations of the general fund.

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

Capital Assets and Long-term Obligations

Capital Assets

Table 4 shows fiscal 2014 balances compared to fiscal 2013.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2014	2013
Land	\$359,668	\$359,668
Construction in Progress	0	15,000
Land Improvements	549,976	317,066
Buildings and Improvements	1,431,378	1,486,588
Furniture, Fixtures and Equipment	92,897	98,360
Vehicles	191,259	199,461
Total Capital Assets	\$2,625,178	\$2,476,143

The increase in capital assets was due to the current year additions outpacing annual depreciation. For fiscal year 2014, primary additions included land improvements for the elementary school and bus garage parking lots and the purchase of gym equipment and a new maintenance vehicle. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Long-term Obligations

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

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

	2014	2013
Compensated Absences	\$408,367	\$454,510

The School District's overall legal debt margin was \$13,309,908 with an unvoted debt margin of \$147,888. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Mathews Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

School District Outlook

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

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

The School District remains dedicated to fiscal responsibility. The Board of Education and administration continue to carefully plan in order to provide the resources and education required to meet student needs over the next several years.

Contacting the School District's Financial Management Personnel

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

Basic Financial Statements

Mathews Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,354,587
Intergovernmental Receivable	87,567
Inventory Held for Resale	9,989
Materials and Supplies Inventory	26,323
Property Taxes Receivable	5,719,333
Nondepreciable Capital Assets	359,668
Depreciable Capital Assets, Net	<u>2,265,510</u>
<i>Total Assets</i>	<u>10,822,977</u>
Liabilities	
Accounts Payable	16,671
Accrued Wages and Benefits	673,498
Intergovernmental Payable	136,086
Matured Compensated Absences Payable	277,302
Vacation Benefits Payable	24,536
Long-Term Liabilities:	
Due Within One Year	222,860
Due In More Than One Year	<u>185,507</u>
<i>Total Liabilities</i>	<u>1,536,460</u>
Deferred Inflows of Resources	
Property Taxes	<u>4,998,441</u>
Net Position	
Net Investment in Capital Assets	2,625,178
Restricted for:	
Capital Projects	564,827
Other Purposes	32,238
Unrestricted	<u>1,065,833</u>
<i>Total Net Position</i>	<u><u>\$4,288,076</u></u>

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Capital Grants	Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,971,478	\$498,512	\$33,173	\$0	(\$3,439,793)
Special	832,050	77,787	370,689	0	(383,574)
Vocational	83,875	9,940	4,991	0	(68,944)
Student Intervention Services	165,063	1,025	181,989	0	17,951
Support Services:					
Pupil	442,638	0	0	0	(442,638)
Instructional Staff	214,553	0	8,950	0	(205,603)
Board of Education	75,586	0	0	0	(75,586)
Administration	757,437	0	0	0	(757,437)
Fiscal	333,563	0	0	0	(333,563)
Business	2,464	0	0	0	(2,464)
Operation and Maintenance of Plant	752,719	6,710	0	331,248	(414,761)
Pupil Transportation	510,693	6,932	3,049	0	(500,712)
Central	52,075	0	0	0	(52,075)
Operation of Non-Instructional Services	896	0	0	0	(896)
Operation of Food Services	284,679	117,642	152,274	0	(14,763)
Extracurricular Activities	239,618	58,306	30	0	(181,282)
<i>Totals</i>	<u>\$8,719,387</u>	<u>\$776,854</u>	<u>\$755,145</u>	<u>\$331,248</u>	<u>(6,856,140)</u>

General Revenues

Property Taxes Levied for:

General Purposes	4,833,653
Capital Projects	150,101

Grants and Entitlements not

Restricted to Specific Programs	3,320,653
Unrestricted Contributions	5,918
Investment Earnings	3,414
Gas Royalties	3,405
Miscellaneous	21,097

Total General Revenues 8,338,241

Change in Net Position 1,482,101

Net Position Beginning of Year 2,805,975

Net Position End of Year \$4,288,076

See accompanying notes to the basic financial statements

Mathews Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,786,001	\$568,219	\$2,354,220
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	367	0	367
Intergovernmental Receivable	54,884	32,683	87,567
Inventory Held for Resale	0	9,989	9,989
Materials and Supplies Inventory	25,011	1,312	26,323
Property Taxes Receivable	5,541,890	177,443	5,719,333
<i>Total Assets</i>	<u>\$7,408,153</u>	<u>\$789,646</u>	<u>\$8,197,799</u>
Liabilities			
Accounts Payable	\$15,717	\$954	\$16,671
Accrued Wages and Benefits	645,071	28,427	673,498
Intergovernmental Payable	128,650	7,436	136,086
Matured Compensated Absences Payable	277,302	0	277,302
<i>Total Liabilities</i>	<u>1,066,740</u>	<u>36,817</u>	<u>1,103,557</u>
Deferred Inflows of Resources			
Property Taxes	4,842,577	155,864	4,998,441
Unavailable Revenue	675,231	48,625	723,856
<i>Total Deferred Inflows of Resources</i>	<u>5,517,808</u>	<u>204,489</u>	<u>5,722,297</u>
Fund Balances			
Nonspendable	25,378	1,312	26,690
Restricted	0	552,158	552,158
Committed	133,685	0	133,685
Assigned	24,055	0	24,055
Unassigned (Deficit)	640,487	(5,130)	635,357
<i>Total Fund Balances</i>	<u>823,605</u>	<u>548,340</u>	<u>1,371,945</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,408,153</u>	<u>\$789,646</u>	<u>\$8,197,799</u>

See accompanying notes to the basic financial statements

Mathews Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances	\$1,371,945
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,625,178
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	666,199
Intergovernmental	57,657
Total	723,856
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(24,536)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(408,367)
<i>Net Position of Governmental Activities</i>	\$4,288,076

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$4,775,841	\$149,586	\$4,925,427
Intergovernmental	3,509,773	551,551	4,061,324
Interest	2,581	833	3,414
Tuition and Fees	549,657	0	549,657
Extracurricular Activities	37,607	58,306	95,913
Contributions and Donations	5,918	300,030	305,948
Charges for Services	6,932	117,642	124,574
Rentals	6,710	0	6,710
Gas Royalties	3,405	0	3,405
Miscellaneous	8,733	12,364	21,097
<i>Total Revenues</i>	<u>8,907,157</u>	<u>1,190,312</u>	<u>10,097,469</u>
Expenditures			
Current:			
Instruction:			
Regular	3,958,949	33,320	3,992,269
Special	652,918	172,600	825,518
Vocational	84,155	0	84,155
Student Intervention Services	8,654	156,075	164,729
Support Services:			
Pupil	440,466	0	440,466
Instructional Staff	203,530	8,950	212,480
Board of Education	75,586	0	75,586
Administration	747,735	0	747,735
Fiscal	325,933	0	325,933
Business	2,464	0	2,464
Operation and Maintenance of Plant	713,838	0	713,838
Pupil Transportation	460,645	0	460,645
Central	51,657	135	51,792
Operation of Non-Instructional Services	0	896	896
Operation of Food Services	0	274,491	274,491
Extracurricular Activities	29,471	202,301	231,772
Capital Outlay	0	310,062	310,062
<i>Total Expenditures</i>	<u>7,756,001</u>	<u>1,158,830</u>	<u>8,914,831</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,151,156</u>	<u>31,482</u>	<u>1,182,638</u>
Other Financing Sources (Uses)			
Transfers In	0	148,270	148,270
Transfers Out	(148,270)	0	(148,270)
<i>Total Other Financing Sources (Uses)</i>	<u>(148,270)</u>	<u>148,270</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,002,886	179,752	1,182,638
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(179,281)</u>	<u>368,588</u>	<u>189,307</u>
<i>Fund Balances End of Year</i>	<u><u>\$823,605</u></u>	<u><u>\$548,340</u></u>	<u><u>\$1,371,945</u></u>

See accompanying notes to the basic financial statements

Mathews Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$1,182,638

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	288,626
Current Year Depreciation	<u>(139,591)</u>

Total	149,035
-------	---------

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

Delinquent Property Taxes	58,327
Intergovernmental	<u>45,692</u>

Total	104,019
-------	---------

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

Compensated Absences	46,143
Vacation Benefits Payable	<u>266</u>

Total	<u>46,409</u>
-------	---------------

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,482,101</u></u>
--	---------------------------

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$4,601,422	\$4,742,064	\$4,742,064	\$0
Intergovernmental	3,405,568	3,510,359	3,519,208	8,849
Interest	2,426	2,500	2,581	81
Tuition and Fees	510,599	526,205	537,241	11,036
Contributions and Donations	4,852	5,000	5,000	0
Charges for Services	6,695	6,900	6,932	32
Rentals	5,337	5,500	6,710	1,210
Gas Royalties	3,405	3,405	3,405	0
Miscellaneous	26,205	7,593	6,291	(1,302)
<i>Total Revenues</i>	<u>8,566,509</u>	<u>8,809,526</u>	<u>8,829,432</u>	<u>19,906</u>
Expenditures				
Current:				
Instruction:				
Regular	3,894,845	3,899,220	3,854,477	44,743
Special	660,934	661,676	655,090	6,586
Vocational	87,873	87,972	86,333	1,639
Student Intervention Services	15,038	15,055	14,801	254
Support Services:				
Pupil	442,868	443,365	439,702	3,663
Instructional Staff	204,848	205,078	198,774	6,304
Board of Education	93,295	93,400	75,944	17,456
Administration	766,085	766,945	756,341	10,604
Fiscal	330,600	330,972	327,919	3,053
Business	2,461	2,464	2,464	0
Operation and Maintenance of Plant	804,781	805,685	752,378	53,307
Pupil Transportation	566,343	566,979	553,167	13,812
Central	52,627	52,686	51,657	1,029
Extracurricular Activities	29,471	29,471	29,471	0
<i>Total Expenditures</i>	<u>7,952,069</u>	<u>7,960,968</u>	<u>7,798,518</u>	<u>162,450</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>614,440</u>	<u>848,558</u>	<u>1,030,914</u>	<u>182,356</u>
Other Financing Sources (Uses)				
Advances In	700	700	10,700	10,000
Advances Out	(700)	(10,000)	(10,000)	0
Transfers Out	(727,205)	(395,675)	(395,675)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(727,205)</u>	<u>(404,975)</u>	<u>(394,975)</u>	<u>10,000</u>
<i>Net Change in Fund Balance</i>	(112,765)	443,583	635,939	192,356
<i>Fund Balance Beginning of Year</i>	697,815	697,815	697,815	0
Prior Year Encumbrances Appropriated	50,155	50,155	50,155	0
<i>Fund Balance End of Year</i>	<u>\$635,205</u>	<u>\$1,191,553</u>	<u>\$1,383,909</u>	<u>\$192,356</u>

See accompanying notes to the basic financial statements

Mathews Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2014

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$20,158</u></u>
--	------------------------

Liabilities

Due to Students	<u><u>\$20,158</u></u>
-----------------	------------------------

See accompanying notes to the basic financial statements

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by 63 certified employees and 37 classified employees who provide services to 807 students and other community members.

Reporting Entity

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

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

The School District is associated with two jointly governed organizations and a shared risk pool. These organizations are the Northeast Ohio Management Information Network, the Trumbull Career and Technical Center and the Trumbull County School Employees Insurance Benefit Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

Fund Accounting

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

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

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

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

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Measurement Focus

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

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

Basis of Accounting

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

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

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Budgetary Data

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

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Cash and Cash Equivalents

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

During fiscal year 2014, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$2,581, none of which was assigned from other School District funds.

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

Inventory

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

Restricted Assets

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

Capital Assets

All capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Compensated Absences

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

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

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

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

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

Fund Balance

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

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

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

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

Net Position

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

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

Estimates

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Materials and Supplies Inventory	\$25,011	\$1,312	\$26,323
Unclaimed Monies	367	0	367
<i>Total Nonspendable</i>	25,378	1,312	26,690
<i>Restricted for</i>			
Scholarships	0	5,472	5,472
Athletics	0	1,801	1,801
Capital Improvements	0	544,885	544,885
<i>Total Restricted</i>	0	552,158	552,158
<i>Committed to</i>			
Building Operation and Maintenance	133,685	0	133,685
<i>Assigned to</i>			
Purchases on Order	3,679	0	3,679
Extracurricular Activities	20,376	0	20,376
<i>Total Assigned</i>	24,055	0	24,055
<i>Unassigned (Deficit)</i>	640,487	(5,130)	635,357
<i>Total Fund Balances</i>	\$823,605	\$548,340	\$1,371,945

Note 4 – Fund Deficits

Fund balances at June 30, 2014, included the following individual fund deficits:

Special Revenue Funds:

Food Service	3,097
Title I	721

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,002,886
Revenue Accruals	223,063
Advance In	10,700
Expenditure Accruals	(268,146)
Advance Out	(10,000)
Prospective Difference:	
Uniform School Supply	(2,835)
Public School Support	(3,389)
Termination Benefits	(158,366)
Encumbrances	(157,974)
Budget Basis	\$635,939

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,092,495 of the School District's bank balance of \$2,387,249 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2014, the School District had STAR Ohio as the only investment with an amount of \$10,167 and a maturity of 51.4 days.

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

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property are established by

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

State law at thirty-five percent of appraised market value. Real property are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014, was \$53,056 in the general fund and \$1,637 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$19,279 in the general fund and \$637 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$141,893,190	96.15%	\$141,703,080	95.82%
Public Utility Personal	5,675,960	3.85	6,184,790	4.18
Total	\$147,569,150	100.00%	\$147,887,870	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$56.10		\$56.10	

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Receivables

Receivables at June 30, 2014, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I Grant	\$32,683
SERS Overpayment Refund	28,974
Catastrophic Aid Reimbursement	<u>25,910</u>
Total	<u><u>\$87,567</u></u>

Note 9 - Contingencies

Grants

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

Litigation

The School District is not party to legal proceedings as of June 30, 2014.

Lease

The Board of Education has entered into a "Paid-Up" Oil and Gas Lease effective April 1, 2012 and continuing through April 1, 2017 with BP America Production Company. In consideration of the execution of the leases, the School District received bonuses of \$354,375 during fiscal year 2013 and \$3,405 during fiscal year 2014. The School District has a total of 90.8654 acres subject to the lease provisions which call for payments to the lessor, in addition to the bonus, royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 17.50 percent for oil or gas. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
<i>Capital Assets not being Depreciated:</i>				
Land	\$359,668	\$0	\$0	\$359,668
Construction in Progress	15,000	249,468	(264,468)	0
<i>Total Nondepreciable Capital Assets</i>	374,668	249,468	(264,468)	359,668
<i>Capital Assets being Depreciated:</i>				
Land Improvements	829,631	264,468	0	1,094,099
Buildings and Improvements	3,089,972	0	0	3,089,972
Furniture, Fixtures and Equipment	288,951	6,450	0	295,401
Vehicles	739,259	32,708	0	771,967
<i>Total Capital Assets being Depreciated</i>	4,947,813	303,626	0	5,251,439
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(512,565)	(31,558)	0	(544,123)
Buildings and Improvements	(1,603,384)	(55,210)	0	(1,658,594)
Furniture, Fixtures and Equipment	(190,591)	(11,913)	0	(202,504)
Vehicles	(539,798)	(40,910)	0	(580,708)
<i>Total Accumulated Depreciation</i>	(2,846,338)	(139,591) *	0	(2,985,929)
<i>Total Assets being Depreciated, Net</i>	2,101,475	164,035	0	2,265,510
<i>Governmental Activities Capital Assets, Net</i>	\$2,476,143	\$413,503	(\$264,468)	\$2,625,178

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$27,620
Special	2,892
Support Services:	
Pupil	1,622
Instructional Staff	2,684
Administration	895
Operation and Maintenance of Plant	37,409
Pupil Transportation	44,611
Central	283
Food Service Operation	7,279
Extracurricular Activities	14,296
Total Depreciation Expense	\$139,591

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with Ohio School Plan for property and liability insurance.

Type of Coverage	Coverage Amount
Building and Contents (\$1,000 deductible)	\$25,614,157
Money and Securities/ in and out non-employee (\$1,000 deductible)	10,000
Employee Dishonesty (\$1,000 deductible)	25,000
Automobile Liability (\$1,000 deductible)	4,000,000
Auto Medical Payments	5,000
Uninsured/Under Insured Motorists	1,000,000
General Liability	
Per Occurrence (no deductible)	4,000,000
Total per Year	6,000,000
Employer's Liability (\$1,000 deductible)	
Per Occurrence	4,000,000
Total per Year	4,000,000
Educational Legal Liability	
Per Occurrence (\$1,000 deductible)	4,000,000
Total per Year	6,000,000

Employee Health Benefits

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

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Workers' Compensation

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

Note 12 - Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$123,713, \$133,906 and \$139,442, respectively. For fiscal year 2014, 94.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$430,821 and \$6,907 for the fiscal year ended June 30, 2014, \$458,725 and \$6,413 for the fiscal year ended June 30, 2013, and \$497,732 and \$6,958 for the fiscal year ended June 30, 2012. For fiscal year 2014, 91.44 percent has been contributed for the DB plan and the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$5,802 made by the School District and \$4,558 made by the plan members. In addition, member contributions of \$5,427 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$17,750 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,072, \$16,980 and \$28,319, respectively. For fiscal year 2014, 94.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$7,177, \$7,564 and \$8,235, respectively. For fiscal year 2014, 94.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$33,140, \$35,287 and \$38,287, respectively. For fiscal year 2014, 91.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Other Employee Benefits

Compensated Absences

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

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

Life Insurance Benefits

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

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due in One Year
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Compensated Absences	<u>\$454,510</u>	<u>\$259,731</u>	<u>(\$305,874)</u>	<u>\$408,367</u>	<u>\$222,860</u>

Compensated absences will be paid from the general fund and the food service and title I special revenue funds.

The School District's overall debt margin was \$13,309,908 with an unvoted debt margin of \$147,888 at June 30, 2014.

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Interfund Transfers

The general fund transferred \$144,865 to the athletics special revenue fund to provide funding for programs. The general fund transferred \$3,405 in gas royalties to the permanent improvement fund to provide for future capital improvements.

Note 17 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$27,539 to NEOMIN during fiscal year 2014.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The School District was not represented on the Governing Board during fiscal year 2014. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

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

Note 18 – Shared Risk Pool

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

Mathews Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 19 - Set-Aside Calculations

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	140,410
Current Year Offsets	(179,834)
Qualifying Disbursements	(31,514)
Total	(\$70,938)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2014	\$0

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

Note 20 – Significant Commitments

Encumbrances

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

General Fund	\$157,974
Other Governmental Funds	2,046
Total	\$160,020

Note 21 – Subsequent Event

On November 4, 2014, the residents of Mathews Local School District renewed a 7.8 mill operating levy for a five year period. The levy is estimated to generate approximately \$1,153,525 per year.

THIS PAGE INTENTIONALLY LEFT BLANK.

MATHEWS LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
National School Lunch Program	2014	10.555	\$ 128,195	\$ 24,666	\$ 128,195	\$ 24,666
State Administrative Expense for Child Nutrition	2014	10.560	2,397		2,397	
Total U.S. Department of Agriculture			130,592	24,666	130,592	24,666
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education - Grants to States (IDEA Part B) Subtotal	2014	84.027	172,599		172,599	
Title I Grants to Local Education Agencies	2013	84.010	0		12,395	
	2014	84.010	149,306		145,533	
Subtotal			149,306		157,928	
Title II-A Improving Teacher Quality	2014	84.367	33,173		33,320	
Race to the Top	2013	84.395	700			
	2014	84.395	1,750		1,750	
Subtotal			2,450		1,750	
Total U.S. Department of Education			357,528	-	365,597	-
TOTAL			\$488,120	\$24,666	\$496,189	\$24,666

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

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 18, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Mathews Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Mathews Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mathews Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 18, 2015

**MATHEWS LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States – (CFDA #84.027) National Lunch Program (#10.555)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

MATHEWS LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2015**