



Dave Yost • Auditor of State



**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mathews Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Dave Yost", is written over a light gray rectangular background.

**Dave Yost**  
Auditor of State

February 3, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of Mathews Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities decreased \$256,654, which represents a 6.76% decrease from 2008.
- General revenues accounted for \$8,074,163 in revenue or 86.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,291,565 or 13.79% of total revenues of \$9,365,728.
- The District had \$9,622,382 in expenses related to governmental activities; only \$1,291,565 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,074,163 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$8,461,261 in revenues and \$8,771,345 in expenditures and other financing uses. The general fund's fund balance decreased \$310,084 from \$956,771 to \$646,687.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-46 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2009 compared to fiscal 2008.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current assets	\$ 6,759,551	\$ 7,130,446
Capital assets, net	3,432,819	3,511,315
Total assets	10,192,370	10,641,761
<b><u>Liabilities</u></b>		
Current liabilities	5,205,837	5,317,639
Long-term liabilities	1,445,915	1,526,850
Total liabilities	6,651,752	6,844,489
<b><u>Net assets</u></b>		
Invested in capital assets, net of debt	3,392,558	3,458,749
Restricted	130,740	100,808
Unrestricted	17,320	237,715
Total net assets	\$ 3,540,618	\$ 3,797,272

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$3,540,618.

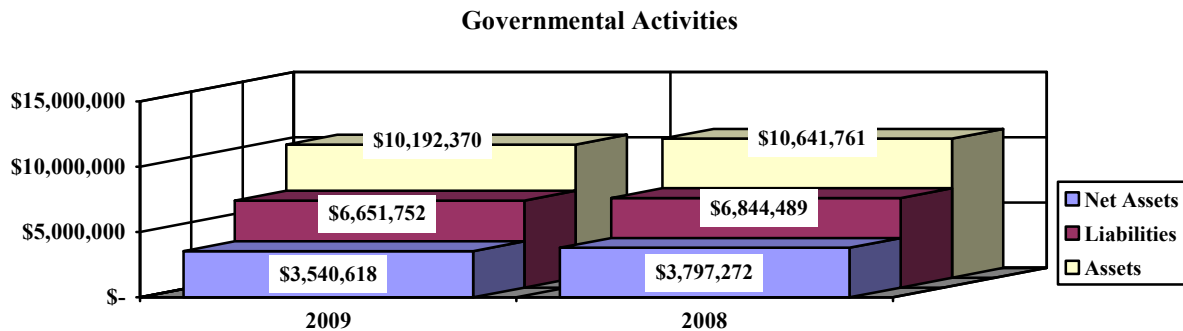
**MATHEWS LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 33.68% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2009, was \$3,392,558. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$130,740 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$17,320 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets as of June 30, 2009 and 2008.



The table below shows the changes in net assets for governmental activities for fiscal year 2009 compared to fiscal year 2008.

	<b>Change in Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 729,310	\$ 699,618
Operating grants and contributions	550,162	497,909
Capital grants and contributions	12,093	11,542
General revenues:		
Property taxes	4,267,975	4,477,960
Grants and entitlements	3,706,405	3,510,781
Investment earnings	51,748	117,982
Revenue in lieu of taxes	9,721	20,740
Other	38,314	10,840
Total revenues	<u>9,365,728</u>	<u>9,347,372</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Change in Net Assets (Continued)**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,475,378	4,480,206
Special	891,928	740,194
Vocational	84,480	45,157
Other	116,360	132,676
Support services:		
Pupil	508,364	521,713
Instructional staff	195,597	245,715
Board of education	54,850	51,092
Administration	742,593	789,712
Fiscal	331,243	304,071
Operations and maintenance	998,321	1,081,640
Pupil transportation	554,570	563,699
Central	95,282	94,961
Operation of non-instructional services:		
Food service	327,971	326,644
Other non-instructional services	10,965	1,900
Extracurricular activities	<u>234,480</u>	<u>187,682</u>
Total expenses	<u>9,622,382</u>	<u>9,567,062</u>
Changes in net assets	(256,654)	(219,690)
Net assets, beginning of year	<u>3,797,272</u>	<u>4,016,962</u>
Net assets, end of year	<u><u>\$ 3,540,618</u></u>	<u><u>\$ 3,797,272</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$256,654. Total governmental expenses of \$9,622,382 were partially offset by program revenues of \$1,291,565 and general revenues of \$8,074,163. Program revenues supported 13.42% of the total governmental expenses.

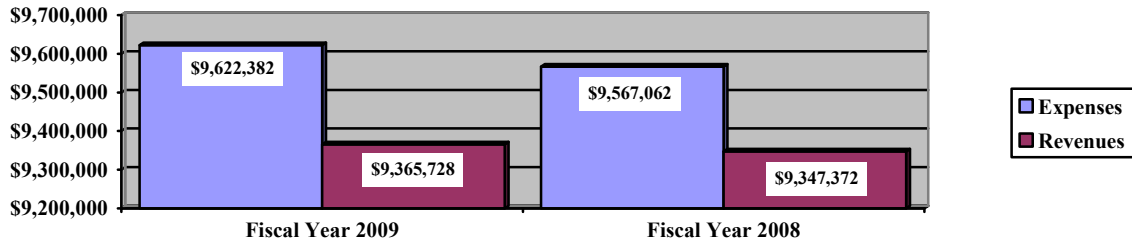
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 85.14% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses:				
Instruction:				
Regular	\$ 4,475,378	\$ 3,985,203	\$ 4,480,206	\$ 4,018,201
Special	891,928	567,304	740,194	497,202
Vocational	84,480	79,173	45,157	27,855
Other	116,360	64,876	132,676	103,652
Support services:				
Pupil	508,364	504,438	521,713	469,545
Instructional staff	195,597	154,978	245,715	226,379
Board of education	54,850	54,850	51,092	51,092
Administration	742,593	742,593	789,712	763,421
Fiscal	331,243	331,243	304,071	304,071
Operations and maintenance	998,321	998,321	1,081,640	1,081,640
Pupil transportation	554,570	536,914	563,699	550,887
Central	95,282	78,282	94,961	77,961
Operation of non-instructional services				
Food service operations	327,971	34,911	326,644	48,345
Other of non-instructional services	10,965	10,965	1,900	1,900
Extracurricular activities	234,480	186,766	187,682	135,842
<b>Total expenses</b>	<b>\$ 9,622,382</b>	<b>\$ 8,330,817</b>	<b>\$ 9,567,062</b>	<b>\$ 8,357,993</b>

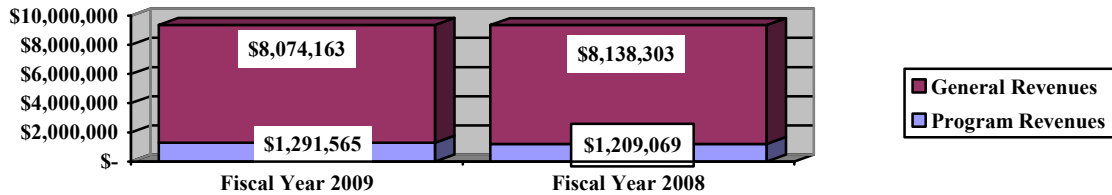
The dependence upon tax revenues during fiscal year 2009 for governmental activities is apparent, as 84.35% of 2009 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.58% and 87.36% in 2009 and 2008, respectively. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$852,474, which is \$237,102 less than last year's total of \$1,089,576. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)
General	\$ 646,687	\$ 956,771	\$ (310,084)
Other governmental	205,787	132,805	72,982
Total	<u>\$ 852,474</u>	<u>\$ 1,089,576</u>	<u>\$ (237,102)</u>

**General Fund**

The District's general fund balance decreased \$310,084. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2008 Amount	Percentage Change
<b><u>Revenues</u></b>			
Taxes	\$ 4,094,408	\$ 4,269,218	(4.09) %
Interest earnings	56,886	111,050	(48.77) %
Intergovernmental	3,826,450	3,621,221	5.67 %
Other revenues	483,517	419,443	15.28 %
Total	<u>\$ 8,461,261</u>	<u>\$ 8,420,932</u>	0.48 %
<b><u>Expenditures</u></b>			
Instruction	\$ 5,056,711	\$ 4,981,733	1.51 %
Support services	3,290,390	3,237,790	1.62 %
Extracurricular activities	24,963	25,168	(0.81) %
Facilities acquisition and construction	-	252,296	(100.00) %
Total	<u>\$ 8,372,064</u>	<u>\$ 8,496,987</u>	(1.47) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The decrease in interest earnings is primarily due to a decrease in the amount of investments and a declining interest rate. Other local revenues increased primarily due to an increase in tuition. All other revenue items remained consistent when compared to prior fiscal years. The decrease in facilities acquisition and construction expenditures is due to the construction of a new locker room facility during fiscal year 2008. Instructional expenditures, support services and extracurricular activities expenditures remained consistent when compared to prior fiscal years.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2009, the District did not amend the general fund budgeted revenues. The original and final budgeted revenues and other financing sources were \$8,332,083. The actual revenues and other financing sources were \$8,459,267, which were \$127,184 more than final budgeted revenues and other financing sources.

General fund original and final appropriations (expenditures and other financing uses) totaled \$9,108,408. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$8,876,023, which was \$232,385 less than the final budget appropriations, primarily because salary costs proved to be lower than anticipated in the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009, the District had \$3,432,819 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

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

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Land	\$ 363,767	\$ 363,767
Land improvements	242,010	271,976
Building and improvements	2,153,088	2,182,683
Furniture and equipment	448,062	489,905
Vehicles	<u>225,892</u>	<u>202,984</u>
Total	<u>\$ 3,432,819</u>	<u>\$ 3,511,315</u>

Total additions to capital assets for 2009 were \$141,549 and total disposals were \$602 (net of accumulated depreciation). Depreciation expense for fiscal year 2009 was \$219,443. The overall decrease in capital assets of \$78,496 was due to depreciation expense and net disposals exceeding additions.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

***Debt Administration***

At June 30, 2009 the District had a \$39,605 asbestos loan outstanding. Of this total, \$12,961 is due within one year and \$26,644 is due within greater than one year. The following table summarizes the loan outstanding.

**Outstanding Debt at June 30**

	Governmental Activities 2009	Governmental Activities 2008
Asbestos loan	\$ 39,605	\$ 52,566

At June 30, 2009 the District's overall legal debt margin was \$13,418,346 with an unvoted debt margin of \$149,093.

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

**Current Financial Related Activities**

The District is faced with the challenge of maintaining four old buildings. The oldest building is the high school, which dates back to 1915. The Ohio School Facilities Commission currently ranks the District 487 out of 612 districts in the state to receive classroom facilities funds. In other words, 486 school districts will receive funds before the District does.

It is not anticipated that the District will receive any construction funds from the State until 2015 at best. Based on the 487 ranking, the Ohio School Facilities Commission determined the local share of the Mathews taxpayers to be 80% with the State contributing only 20% to any new or remodeled facilities.

The Board of Education has decided not to wait for Ohio School Facilities Commission funding in 2015 or later. They decided to proceed with replacing the aging buildings now. An 8.1 mill, \$22,500,000, bond levy is on the November 3, 2009 ballot. The bond issue will finance construction of one K-12 building at the Baker Elementary site that will replace the four aging buildings.

There is a real opportunity coupled with this bond levy. The District is one of 38 districts approved by the Ohio School Facilities Commission to share in the \$100,000,000 "Pool B" 2009 Qualified School Construction Bond program authorized by the American Recovery and Reinvestment Act. The District's minimum allocation is \$3,231,502. These interest free bonds are part of the federal stimulus program and are obtainable only at the November 3, 2009 election. The districts that are successful at the November 2009 ballot will share in the \$100,000,000 allocation. It is estimated that the District would save about \$3,200,000 in interest over the life of the bond issue by receiving just the minimum allocation of these interest free bonds.

There is presently an \$850 million state budget shortfall due to the unsure outcome of the video lottery terminals. The revenue from these video terminals was slated for education. On September 21, 2009, the Ohio Supreme Court ruled that installation of video lottery terminals at Ohio horse-race tracks is subject to voter referendum. The referendum cannot appear on the ballot until November 2010. It is estimated by the Ohio Department of Education that a 10.31% reduction in fiscal year 2010 state payments and a 15.74% reduction in fiscal year 2011 state payments would be necessary to offset this shortfall. These percentages equal about a \$276,200 cut in fiscal year 2010 and a \$413,200 cut in fiscal year 2011 in state support for the Mathews School District. In order to make up for this shortfall, a proposal has been made by Governor Strickland to temporarily freeze the final reduction in the state income tax rate at the 2008 levels. This freeze would be effective through June 30, 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The Board of Education recently ratified a two-year contract with both its teaching and classified staffs. The agreement includes a 0% salary increase for fiscal 2010 and a 2% salary increase for fiscal year 2011. Benefits remain the same.

The District currently has a sufficient cash balance to operate through fiscal year 2011. The District is continuing its plan to control spending in the future. The District realizes that prudent management is necessary to continue to provide the resources necessary to meet student needs while diligently controlling expenditures. In this regard, the Board of Education and administration closely monitor the District's revenue and expenditures in accordance with its five-year forecast.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Ms. Teri S. Andrika, Treasurer, Mathews Local School District, 4434-B Warren Sharon Road, Vienna, Ohio, 44473-9644.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . .	\$ 1,901,516
Receivables:	
Taxes . . . . .	4,757,446
Accounts . . . . .	17,243
Intergovernmental . . . . .	11,110
Accrued interest . . . . .	3,646
Prepayments . . . . .	31,898
Materials and supplies inventory . . . . .	36,692
Capital assets:	
Land . . . . .	363,767
Depreciable capital assets, net. . . . .	3,069,052
Total capital assets, net . . . . .	<u>3,432,819</u>
Total assets . . . . .	<u>10,192,370</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	20,472
Accrued wages and benefits . . . . .	726,620
Pension obligation payable. . . . .	206,994
Intergovernmental payable . . . . .	26,949
Unearned revenue . . . . .	4,224,802
Long-term liabilities:	
Due within one year . . . . .	189,693
Due in more than one year . . . . .	<u>1,256,222</u>
Total liabilities . . . . .	<u>6,651,752</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	3,392,558
Restricted for:	
Capital projects . . . . .	100,672
Student activities . . . . .	5,454
School bus purchases. . . . .	8,740
Other purposes. . . . .	15,874
Unrestricted . . . . .	<u>17,320</u>
Total net assets . . . . .	<u>\$ 3,540,618</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,475,378	\$ 455,585	\$ 34,590	\$ -	\$ (3,985,203)
Special . . . . .	891,928	22,238	302,386	-	(567,304)
Vocational . . . . .	84,480	-	5,307	-	(79,173)
Other . . . . .	116,360	-	51,484	-	(64,876)
Support services:					
Pupil . . . . .	508,364	-	3,926	-	(504,438)
Instructional staff . . . . .	195,597	4,446	36,173	-	(154,978)
Board of education . . . . .	54,850	-	-	-	(54,850)
Administration . . . . .	742,593	-	-	-	(742,593)
Fiscal . . . . .	331,243	-	-	-	(331,243)
Operations and maintenance . . . . .	998,321	-	-	-	(998,321)
Pupil transportation . . . . .	554,570	5,539	24	12,093	(536,914)
Central . . . . .	95,282	-	17,000	-	(78,282)
Operation of non-instructional services:					
Food service operations . . . . .	327,971	193,788	99,272	-	(34,911)
Other non-instructional services . . . . .	10,965	-	-	-	(10,965)
Extracurricular activities . . . . .	234,480	47,714	-	-	(186,766)
Total governmental activities . . . . .	<u>\$ 9,622,382</u>	<u>\$ 729,310</u>	<u>\$ 550,162</u>	<u>\$ 12,093</u>	<u>(8,330,817)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,123,474
Capital projects . . . . .					144,501
Grants and entitlements not restricted					
to specific programs . . . . .					3,706,405
Investment earnings . . . . .					51,748
Revenue in lieu of taxes . . . . .					9,721
Miscellaneous . . . . .					38,314
Total general revenues . . . . .					<u>8,074,163</u>
Change in net assets . . . . .					(256,654)
Net assets at beginning of year . . . . .					<u>3,797,272</u>
Net assets at end of year . . . . .					<u>\$ 3,540,618</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,474,002	\$ 418,774	\$ 1,892,776
Receivables:			
Taxes . . . . .	4,596,377	161,069	4,757,446
Accounts . . . . .	15,904	1,339	17,243
Intergovernmental . . . . .	-	11,110	11,110
Accrued interest . . . . .	3,646	-	3,646
Prepayments . . . . .	31,898	-	31,898
Materials and supplies inventory . . . . .	29,531	7,161	36,692
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	8,740	-	8,740
Total assets . . . . .	<u>\$ 6,160,098</u>	<u>\$ 599,453</u>	<u>\$ 6,759,551</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 8,547	\$ 11,925	\$ 20,472
Accrued wages and benefits . . . . .	695,928	30,692	726,620
Compensated absences payable . . . . .	-	172,621	172,621
Pension obligation payable. . . . .	189,951	17,043	206,994
Intergovernmental payable. . . . .	25,638	1,311	26,949
Deferred revenue. . . . .	510,783	17,836	528,619
Unearned revenue. . . . .	4,082,564	142,238	4,224,802
Total liabilities . . . . .	<u>5,513,411</u>	<u>393,666</u>	<u>5,907,077</u>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	70,506	10,225	80,731
Reserved for materials and supplies inventory. . . . .	29,531	7,161	36,692
Reserved for prepayments . . . . .	31,898	-	31,898
Reserved for property tax unavailable for appropriation . . . . .	28,394	995	29,389
Reserved for school bus purchases. . . . .	8,740	-	8,740
Unreserved, undesignated, reported in:			
General fund . . . . .	477,618	-	477,618
Special revenue funds. . . . .	-	111,425	111,425
Capital projects funds. . . . .	-	75,981	75,981
Total fund balances . . . . .	<u>646,687</u>	<u>205,787</u>	<u>852,474</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,160,098</u>	<u>\$ 599,453</u>	<u>\$ 6,759,551</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>			\$	852,474
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				3,432,819
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.				
Taxes receivable	\$	526,826		
Accrued interest receivable		<u>1,793</u>		
Total				528,619
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.				
Compensated absences		1,233,689		
Asbestos loan payable		<u>39,605</u>		
Total				<u>(1,273,294)</u>
<b>Net assets of governmental activities</b>			\$	<u><u>3,540,618</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,094,408	\$ 143,497	\$ 4,237,905
Tuition. . . . .	416,338	-	416,338
Transportation fees. . . . .	2,900	-	2,900
Charges for services. . . . .	-	193,788	193,788
Earnings on investments. . . . .	56,886	-	56,886
Extracurricular. . . . .	-	81,848	81,848
Classroom materials and fees. . . . .	9,669	15,948	25,617
Revenue in lieu of taxes . . . . .	9,721	-	9,721
Other local revenues. . . . .	44,889	2,572	47,461
Intergovernmental - State. . . . .	3,814,801	62,415	3,877,216
Intergovernmental - Federal . . . . .	11,649	379,467	391,116
Total revenue . . . . .	<u>8,461,261</u>	<u>879,535</u>	<u>9,340,796</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	4,192,851	172,214	4,365,065
Special. . . . .	724,540	160,885	885,425
Vocational. . . . .	74,989	-	74,989
Other. . . . .	64,331	52,029	116,360
Support services:			
Pupil. . . . .	492,847	5,320	498,167
Instructional staff . . . . .	171,300	56,964	228,264
Board of education . . . . .	54,850	-	54,850
Administration. . . . .	727,339	47,929	775,268
Fiscal . . . . .	327,007	22,636	349,643
Operations and maintenance. . . . .	925,846	52,297	978,143
Pupil transportation . . . . .	515,763	69,721	585,484
Central. . . . .	75,438	16,960	92,398
Operation of non-instructional services:			
Food service operations . . . . .	-	331,888	331,888
Other non-instructional services. . . . .	-	10,965	10,965
Extracurricular activities. . . . .	24,963	193,065	218,028
Debt service:			
Principal retirement . . . . .	-	12,961	12,961
Total expenditures . . . . .	<u>8,372,064</u>	<u>1,205,834</u>	<u>9,577,898</u>
Excess of revenues over (under) expenditures . . . . .	<u>89,197</u>	<u>(326,299)</u>	<u>(237,102)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	399,281	399,281
Transfers (out). . . . .	(399,281)	-	(399,281)
Total other financing sources (uses) . . . . .	<u>(399,281)</u>	<u>399,281</u>	<u>-</u>
Net change in fund balances . . . . .	(310,084)	72,982	(237,102)
<b>Fund balances at beginning of year . . . . .</b>	<u>956,771</u>	<u>132,805</u>	<u>1,089,576</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 646,687</u>	<u>\$ 205,787</u>	<u>\$ 852,474</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	(237,102)
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

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

Capital asset additions	\$ 141,549	
Current year depreciation	(219,443)	
Total		(77,894)

The net effect of various miscellaneous transactions involving  
capital assets (i.e., sales, disposals, trade-ins, and donations) is to  
decrease net assets.

Capital asset disposals	(116,741)	
Accumulated depreciation on disposals	116,139	
Total		(602)

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

Taxes	30,070	
Accrued interest	(5,138)	
Total		24,932

Repayment of loan principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities on the  
statement of net assets.

12,961

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

21,051

<b>Change in net assets of governmental activities</b>	\$	(256,654)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,027,519	\$ 4,027,519	\$ 4,075,957	\$ 48,438
Tuition. . . . .	409,676	409,676	416,338	6,662
Transportation fees. . . . .	3,000	3,000	-	(3,000)
Earnings on investments. . . . .	50,000	50,000	57,704	7,704
Classroom materials and fees . . . . .	9,000	9,000	9,631	631
Revenue in lieu of taxes. . . . .	10,300	10,300	9,721	(579)
Other local revenues . . . . .	5,150	5,150	23,987	18,837
Intergovernmental - State . . . . .	3,794,938	3,794,938	3,814,801	19,863
Intergovernmental - Federal. . . . .	-	-	11,649	11,649
Total revenue . . . . .	<u>8,309,583</u>	<u>8,309,583</u>	<u>8,419,788</u>	<u>110,205</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,279,861	4,252,537	4,214,504	38,033
Special. . . . .	721,468	742,920	722,821	20,099
Vocational. . . . .	72,737	77,342	75,123	2,219
Other. . . . .	66,186	80,262	76,262	4,000
Support services:				
Pupil. . . . .	513,732	508,421	497,694	10,727
Instructional staff . . . . .	187,105	184,265	179,890	4,375
Board of education . . . . .	99,700	88,575	81,788	6,787
Administration. . . . .	711,637	723,907	714,596	9,311
Fiscal . . . . .	343,236	339,112	331,546	7,566
Operations and maintenance. . . . .	1,021,779	1,012,423	954,865	57,558
Pupil transportation . . . . .	590,606	586,164	522,534	63,630
Central. . . . .	86,001	88,116	80,156	7,960
Extracurricular activities. . . . .	25,083	25,083	24,963	120
Total expenditures . . . . .	<u>8,719,131</u>	<u>8,709,127</u>	<u>8,476,742</u>	<u>232,385</u>
Deficiency of revenues under expenditures. . . . .	<u>(409,548)</u>	<u>(399,544)</u>	<u>(56,954)</u>	<u>342,590</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	22,000	22,000	35,856	13,856
Transfers (out) . . . . .	(389,277)	(399,281)	(399,281)	-
Sale of capital assets. . . . .	500	500	3,623	3,123
Total other financing sources (uses) . . . . .	<u>(366,777)</u>	<u>(376,781)</u>	<u>(359,802)</u>	<u>16,979</u>
Net change in fund balance . . . . .	(776,325)	(776,325)	(416,756)	359,569
<b>Fund balance at beginning of year. . . . .</b>	1,684,054	1,684,054	1,684,054	-
<b>Prior year encumbrances appropriated . . . . .</b>	133,147	133,147	133,147	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,040,876</u>	<u>\$ 1,040,876</u>	<u>\$ 1,400,445</u>	<u>\$ 359,569</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 36,309
Receivables:	
Accounts . . . . .	<u>10</u>
Total assets. . . . .	<u><u>\$ 36,319</u></u>
<b>Liabilities:</b>	
Due to students . . . . .	<u>\$ 36,319</u>
Total liabilities . . . . .	<u><u>\$ 36,319</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Mathews Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and Federal guidelines. The Board of Education controls the District's four instructional/support facilities staffed by 45 classified employees and 71 certified employees who provide services to 880 students and other community members.

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

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

**A. Reporting Entity**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Trumbull Career and Technical Center

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Northeast Ohio Management Information Network (NEOMIN)

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

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

Northeast Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the Districts. Each member pays a semi-annual premium based on the District's average daily membership. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a Joint Vocational School, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Region 12 Professional Development Center (the "Center")

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

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Trumbull County Schools Employee Insurance Benefits Consortium

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

*PROPRIETARY FUNDS*

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in governmental funds.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2009, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2009, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$56,886 which includes \$12,103 assigned from other District funds.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**G. Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets. The District had no interfund loans outstanding at June 30, 2009.



**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**J. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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

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

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, school bus purchases and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for school bus purchases. See Note 15 for details.

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Food service	\$ 29,274
Education management information systems	10
SchoolNet professional development	2
Title I	990
Title VI	3
Title II-A	67
Miscellaneous federal grants	2

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$1,927,695. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,460,191 of the District's bank balance of \$1,961,062 was exposed to custodial risk as discussed below, while \$500,871 was covered by the FDIC.

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

**B. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>
		<u>6 months or less</u>
STAR Ohio	<u>\$ 10,130</u>	<u>\$ 10,130</u>

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

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	<u>\$ 10,130</u>	<u>100.00</u>

**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,927,695
Investments	<u>10,130</u>
Total	<u>\$ 1,937,825</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,901,516
Agency fund	<u>36,309</u>
Total	<u>\$ 1,937,825</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 399,281

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$28,394 in the general fund and \$995 in the permanent improvement capital projects fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$9,943 in the general fund and \$349 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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



**MATHEWS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 142,136,720	95.49	\$ 144,493,220	96.60
Public utility personal	4,340,040	2.92	4,664,320	3.10
Tangible personal property	<u>2,367,210</u>	<u>1.59</u>	<u>457,727</u>	<u>0.30</u>
Total	<u>\$ 148,843,970</u>	<u>100.00</u>	<u>\$ 149,615,267</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$54.46		\$54.46	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 4,757,446
Accounts	17,243
Intergovernmental	11,110
Accrued interest	<u>3,646</u>
Total receivables	<u>\$ 4,789,445</u>

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

**MATHEWS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 363,767	\$ -	\$ -	\$ 363,767
Total capital assets, not being depreciated	<u>363,767</u>	<u>-</u>	<u>-</u>	<u>363,767</u>
Capital assets, being depreciated:				
Land improvements	680,818	-	-	680,818
Buildings and improvements	2,929,504	-	-	2,929,504
Furniture and equipment	1,507,726	67,294	(86,785)	1,488,235
Vehicles	698,266	74,255	(29,956)	742,565
Total capital assets, being depreciated	<u>5,816,314</u>	<u>141,549</u>	<u>(116,741)</u>	<u>5,841,122</u>
Less: accumulated depreciation				
Land improvements	(408,842)	(29,966)	-	(438,808)
Buildings and improvements	(746,821)	(29,595)	-	(776,416)
Furniture and equipment	(1,017,821)	(108,535)	86,183	(1,040,173)
Vehicles	(495,282)	(51,347)	29,956	(516,673)
Total accumulated depreciation	<u>(2,668,766)</u>	<u>(219,443)</u>	<u>116,139</u>	<u>(2,772,070)</u>
Governmental activities capital assets, net	<u>\$ 3,511,315</u>	<u>\$ (77,894)</u>	<u>\$ (602)</u>	<u>\$ 3,432,819</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 86,015
Special	3,600
Vocational	2,372
Support services:	
Pupil	2,025
Instructional staff	17,261
Administration	6,506
Fiscal	1,776
Operations and maintenance	25,800
Pupil transportation	51,673
Central	3,083
Extracurricular	18,432
Food service operations	900
Total depreciation expense	<u>\$ 219,443</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. The changes in the District's long-term obligations during fiscal year 2009 consist of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due in One Year
<b><u>Governmental-type activities:</u></b>					
1993 EPA Asbestos Loan 0%	\$ 52,566	\$ -	\$ (12,961)	\$ 39,605	\$ 12,961
Compensated absences	<u>1,474,284</u>	<u>173,778</u>	<u>(241,752)</u>	<u>1,406,310</u>	<u>176,732</u>
 Total governmental long-term activities	 <u>\$ 1,526,850</u>	 <u>\$ 173,778</u>	 <u>\$ (254,713)</u>	 <u>\$ 1,445,915</u>	 <u>\$ 189,693</u>

Compensated absences will be paid by the terminations benefits nonmajor governmental fund.

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

Principal requirements to retire the asbestos loan outstanding at June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 12,961
2011	12,961
2012	12,961
2013	<u>722</u>
Total	<u>\$ 39,605</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$13,418,346 and an unvoted debt margin of \$149,093.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District had the following coverage provided by Ohio Casualty:

<u>Coverage</u>	<u>Amount</u>
Building and contents-replacement cost (\$1,000 deductible)	\$19,400,099
Money and securities/in and out non-employee (\$1,000 deductible)	10,000
Employee dishonesty (\$1,000 deductible)	25,000
Automobile liability (\$500 deductible on comprehensive) (\$500 deductible on collision)	2,000,000
Auto medical payments	5,000
Uninsured/under insured motorists	1,000,000
General liability	
Per occurrence (no deductible)	1,000,000
Total per year	2,000,000
Employer's liability (\$1,000 deductible)	
Per occurrence	1,000,000
Total per year	3,000,000
Educational legal liability	
Per occurrence (\$1,000 deductible)	1,000,000
Total per year	1,000,000
Liability umbrella	
Per occurrence	2,000,000
Total per year	2,000,000

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

**B. Workers' Compensation**

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the group. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Total savings are then calculated and each participants performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**C. Employee Medical Benefits**

For fiscal 2009, the District contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution into a common consortium fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$109,119, \$108,482, and \$112,154, respectively; 45.00 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$524,137, \$521,610 and \$502,274, respectively; 83.75 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$103 made by the District and \$3,708 made by the plan members.

**C. 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/State Teachers Retirement System of Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 2009, 4.16 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 2009, this amount was \$35,800.

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 District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$73,493, \$71,572, and \$58,565, respectively; 45.00 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,003, \$7,816, and \$7,626, respectively; 45.00 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$40,318, \$40,124, and \$38,636, respectively; 83.75 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (416,756)
Net adjustment for revenue accruals	41,473
Net adjustment for expenditure accruals	22,381
Net adjustment for other sources/uses	(39,479)
Adjustment for encumbrances	<u>82,297</u>
GAAP basis	<u>\$ (310,084)</u>



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**C. Septic Tank**

On August 22, 2008, the Ohio Environmental Protection Agency (Ohio EPA) notified the District that it is required to upgrade the wastewater treatment plants and Mathews High School and Neal Middle School. The estimated cost of these upgrades would be \$359,000.

Since the District is currently weighing the option of constructing new school buildings without participation in the Ohio School Facilities Commission in the near future, the District is of the opinion that upgrading the existing wastewater treatment plants would not be cost effective. The District is currently working with the Ohio EPA in order to find the most cost effective solution in order to improve the wastewater treatment plants to meet Ohio EPA standards.

**NOTE 15 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Maintenance</u>
Set-aside balance as of June 30, 2008	\$ (317,160)	\$ -
Current year set-aside requirement	142,744	142,744
Current year offsets	-	(142,851)
Current year qualifying disbursements	<u>(145,162)</u>	<u>(55,030)</u>
Total	<u>\$ (319,578)</u>	<u>\$ (55,137)</u>
Balance carried forward to fiscal year 2010	<u>\$ (319,578)</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 15 - STATUTORY RESERVES - (Continued)**

The District had offsets and qualifying disbursements during the year that reduced the textbooks/instructional materials and capital maintenance set-aside amounts below zero. The negative amount for the textbooks/instructional materials set-aside is being carried forward to reduce the set-aside requirements of future years, but the negative amount for the capital maintenance set-aside is not allowed to be carried forward.

In addition to the above statutory reserves, the District also received \$8,740 in monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchases

Total restricted assets	\$ <u>8,740</u>
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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mathews Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293  
Phone: 330-797-9900 or 800-443-9271 Fax: 330-797-9949

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

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

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

A handwritten signature in black ink, appearing to read "Dave Yost", with a stylized, cursive script.

**Dave Yost**  
Auditor of State

February 3, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Mathews Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on March 22, 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



**Dave Yost**  
Auditor of State

February 3, 2011



# 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 22, 2011**