

Wadsworth City School District

Basic Financial Statements

Year Ended June 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the Wadsworth City School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wadsworth City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 7, 2007

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WADSWORTH CITY SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 21, 2007

The Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective 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 November 21, 2007 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Hea & Associates, Inc.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of the Wadsworth City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- ❑ General Revenues accounted for \$39.6 million in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5.4 million or 12% of total revenues of \$45.0 million.
- ❑ Total program expenses were \$43.2 million in governmental activities.
- ❑ In total, net assets of governmental activities increased \$1,709,108 which represents an 8.38% increase from 2006.
- ❑ Outstanding debt decreased from \$32,606,999 to \$31,293,952, as a result of the payment of bond and note principal.

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as:

- ❑ Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operating, and extracurricular activities.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Reporting the School District's Most Significant Funds

Fund Financial Statements

The financial statement of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and 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 School 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.

Proprietary Funds - The School District maintains a proprietary fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an Internal Service Fund to account for its health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 19.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements begin on page 22.

Notes to the 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. The notes to the financial statements begin on page 23.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

(Table 1)
Changes in Net Assets

	Governmental Activities	
	2007	2006 Restated
Assets		
Current and Other Assets	\$ 36,745,508	\$ 35,827,546
Capital Assets	43,601,619	43,702,348
Total Assets	80,347,127	79,529,894
Liabilities		
Long-Term Liabilities	35,833,002	36,080,473
Other Liabilities	22,410,053	23,054,457
Total Liabilities	58,243,055	59,134,930
Net Assets		
Invested in Capital		
Assets Net of Debt	18,676,324	16,931,806
Restricted	3,230,116	3,369,041
Unrestricted (Deficit)	197,632	94,117
Total Net Assets	\$ 22,104,072	\$ 20,394,964

Total assets increased by \$817,233, this increase was primarily in the general fund with revenues exceeding expenses in 2007.

Total liabilities decreased \$891,875, this decrease was primarily the result of payment of bonds and notes payable and a decrease in deferred revenue from taxes during the year.

As a result of the above, overall net assets of the School District increased \$1,709,108, or 8.38% compared to fiscal year 2006.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006:

(Table 2)
Governmental Activities

	2007	2006 Restated
<i>Revenues:</i>		
Charges for Services	\$ 2,394,575	\$ 2,309,709
Operating Grants	3,000,289	2,806,186
<i>General Revenues:</i>		
Property Taxes	20,818,293	20,921,031
Grants and entitlements, not restricted	17,269,220	16,955,836
Other	1,476,561	859,497
<i>Total Revenues</i>	44,958,938	43,852,259
<i>Program Expenses:</i>		
Instruction	22,760,005	20,792,416
Support Services	16,006,250	14,231,972
Operation of Non-Instructional	313,088	466,638
Extracurricular Activities	1,022,271	1,007,279
Interest and Fiscal Charges	1,531,714	2,757,389
Food Service	1,355,994	1,364,848
Uniform School Supplies	32,639	25,707
Vocational Education	119,007	124,544
Adult/Community Education	37,879	28,231
Bear Cub Academy/Bridges	70,983	78,287
<i>Total Expenses</i>	43,249,830	40,877,311
 Increase in Net Assets	 \$ 1,709,108	 \$ 2,974,948

A review of Table 2 reflects total revenues of \$44,958,938, which was an increase of \$1,106,679, as compared to 2006. The majority of the increase was in grants and entitlements and investment income, which increased by \$660,072 in total.

Total expenses increased \$2,372,519, the increase in instruction accounts and operations and maintenance of plants (mostly from an increase in wages based on negotiated agreements) was offset by a decrease in interest expense due to accretion of capital appreciation bonds.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$45.0 million and expenditures of \$43.2 million.

(Table 3)
Governmental Activities

	2007		2006 Restated	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 22,760,005	\$ 20,883,543	\$ 20,792,416	\$ 18,947,183
Support Services:				
Pupil and Instructional Staff	3,539,161	2,849,992	3,303,885	2,735,842
Board of Education, Administration, Fiscal and Business	4,117,027	3,585,841	4,033,504	3,575,083
Operation and Maintenance of Plant	5,965,199	5,886,447	4,640,771	4,545,219
Pupil Transportation	1,405,862	1,378,916	1,403,967	1,363,029
Central	979,001	894,499	849,845	805,065
Operation of Non-Instructional	313,088	11,461	466,638	193,044
Food Services	1,355,994	106,305	1,364,848	45,349
Uniform School Supplies	32,639	6,329	25,707	(1,545)
Vocational Educational	119,007	119,007	124,544	124,544
Adult/Community Education	37,879	(4,015)	28,231	(3,910)
Bear Cub Academy/Bridges	70,983	(9,579)	78,287	13,023
Extracurricular Activities	1,022,271	614,506	1,007,279	662,101
Interest and Fiscal Charges	1,531,714	1,531,714	2,757,389	2,757,389
Total Expenses	<u>\$ 43,249,830</u>	<u>\$ 37,854,966</u>	<u>\$ 40,877,311</u>	<u>\$ 35,761,416</u>

Instruction and student support services comprise 90% of governmental program expenses. Interest/fiscal charges were 4%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of plant accounts for 17% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for School District students.

The School District's Funds

The fund financial statements for the School District's major funds start on page 14. The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue \$44,857,263 and total expenditures of \$43,719,905. The net change in fund balance for the fiscal year was most significant in the general fund. General Fund increase was primarily caused by a result of expenditures of encumbered funds have not yet been recognized as of June 30, 2007. If incurred at year end, the increase would have been insignificant.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, the final budget basis revenue increased \$297,529 from the original budget estimates of approximately \$35.7 million. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$36.1 million was \$132,315, more than the final budgeted amounts. This amount is deemed immaterial.

Final expenditures of \$36.0 million were \$2,145, lower than the \$36.0 million in the final budget. This amount is deemed immaterial.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$43.6 million invested in land, land improvements, buildings and improvements, furniture and fixtures, vehicles, and textbooks. Table 4 shows fiscal year 2007 balances compared with 2006.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$ 1,111,437	\$ 1,111,437
Land Improvements	1,114,143	1,190,102
Buildings and Improvements	35,705,306	35,178,592
Furniture and Fixtures	3,108,759	3,374,828
Vehicles	920,899	828,490
Textbooks	459,195	565,481
Construction in Progress	1,181,880	1,453,418
	\$ 43,601,619	\$ 43,702,348

The \$100,729 decrease in capital assets was primarily attributable to depreciation expense exceeding additional purchases. See Note 9 to the basic financial statements for detail of the School District's capital assets.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Ohio law required school district's to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2007, this amounted to \$716,288 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks. See Note 22 for additional information.

Debt

At June 30, 2007, the School District had \$31,293,952 in outstanding debt with \$2,122,925 due within one year. Table 5 summarizes bonds and notes outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2007	Governmental Activities 2006 Restated
General Obligation Bonds:		
1998 School Improvements	\$ 1,745,000	\$ 11,445,000
1999 School Improvements	1,980,000	2,370,000
2000 School Improvements	300,000	385,000
2001 Library Improvments	4,025,006	4,250,006
2006 School Improvements (Refunding)	8,655,000	8,695,000
2007 School Improvements (Refunding)	8,510,000	0
Capital Appreciation Bonds (All bonds)	2,699,960	2,039,967
Accretion on CAB'S (All bonds)	1,613,657	1,250,573
Premium (All bonds)	1,044,645	540,179
Refunding Loss (All bonds)	(675,496)	(340,496)
Energy Conservation Improvements	800,000	900,000
HB 264 Series	221,180	331,770
Note Payable:		
2002 Tax Anticipation	375,000	740,000
Totals	\$ 31,293,952	\$ 32,606,999

During the fiscal year, the School District issued refunding bonds in order to take advantage of favorable interest rates. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues

The School District continues to receive strong support from the residents of the Wadsworth City School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in February, 2003, with the promise that the revenue generated by a levy would provide sufficient funding for five years.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, School District's dependence upon property taxes is hampered by a lack of revenue growth, and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47% of revenues for governmental activities for the School District in fiscal year 2006.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for the five years it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth.

The School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern is the State Legislative approval of the biennial budget, effective July 1, 2007. The legislature's plans to fund education programs remain a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the Wadsworth City School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Doug Beeman, Treasurer of Wadsworth City School District, 360 College Street, Wadsworth, Ohio 44281, e-mail dbeeman@wadsworth.k12.oh.us.

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Wadsworth City School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 16,266,458
Receivables:	
Taxes	19,934,424
Accounts	31,256
Accrued Interest	62,559
Intergovernmental	83,718
Deferred Charges	367,093
Nondepreciable Capital Assets	2,293,317
Depreciable Capital Assets (Net)	41,308,302
<i>Total Assets</i>	<u>80,347,127</u>
Liabilities	
Accounts Payable	104,748
Contracts Payable	480,630
Accrued Wages and Benefits	2,980,733
Vacation Benefits Payable	158,368
Mature Compensated Absences Payable	563,498
Intergovernmental Payable	1,175,123
Deferred Revenue	16,767,143
Claims Payable	179,810
Long Term Liabilities:	
Due Within One Year	2,244,002
Due In More Than One Year	33,589,000
<i>Total Liabilities</i>	<u>58,243,055</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	18,676,324
Restricted for:	
Capital Projects	906,120
Debt Service	1,831,485
Other Purposes	492,511
Unrestricted	197,632
<i>Total Net Assets</i>	<u>\$ 22,104,072</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 17,611,608	\$ 256,044	\$ 135,791	\$ (17,219,773)
Special	2,483,748	29,482	1,279,755	(1,174,511)
Vocational	1,808,097	24,272	138,484	(1,645,341)
Other	856,552	12,634	0	(843,918)
Support Services:				
Pupils	2,328,654	27,586	383,245	(1,917,823)
Instructional Staff	1,210,507	13,648	264,690	(932,169)
Board of Education	191,790	2,827	0	(188,963)
Administration	3,310,401	370,730	149,134	(2,790,537)
Fiscal	613,481	8,475	0	(605,006)
Business	1,355	20	0	(1,335)
Operation and Maintenance of Plant	5,965,199	74,951	3,801	(5,886,447)
Pupil Transportation	1,405,862	22,080	4,866	(1,378,916)
Central	979,001	15,943	68,559	(894,499)
Operation of Non-Instructional Services	313,088	431	301,196	(11,461)
Food Service Operations	1,355,994	978,921	270,768	(106,305)
Uniform Supplies	32,639	26,310	0	(6,329)
Vocational Education Customer Services	119,007	0	0	(119,007)
Adult Education	37,879	41,894	0	4,015
Bear Cub Academy	70,983	80,562	0	9,579
Extracurricular Activities	1,022,271	407,765	0	(614,506)
Interest and Fiscal Charges	1,531,714	0	0	(1,531,714)
<i>Totals</i>	<u>\$ 43,249,830</u>	<u>\$ 2,394,575</u>	<u>\$ 3,000,289</u>	<u>(37,854,966)</u>

General Revenues

Property Taxes Levied for:

General Purposes	17,894,229
Debt Service	2,628,915
Capital Outlay	295,149
Grants and Entitlements not Restricted to Specific Programs	17,269,220
Investment Earnings	930,414
Miscellaneous	546,147
Total General Revenues	<u>39,564,074</u>

Change in Net Assets 1,709,108

Net Assets Beginning of Year (Restated, See Note 3) 20,394,964

Net Assets End of Year \$ 22,104,072

See accompanying notes to the basic financial statements.

Wadsworth City School District

Balance Sheet

Governmental Funds

June 30, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 11,460,663	\$ 1,477,139	\$ 2,169,321	\$ 15,107,123
Receivables:				
Taxes	17,382,504	2,327,219	224,701	19,934,424
Accounts	337	0	30,919	31,256
Interfund	44,919	0	0	44,919
Accrued Interest	62,559	0	0	62,559
Intergovernmental	0	0	83,718	83,718
<i>Total Assets</i>	<u>\$ 28,950,982</u>	<u>\$ 3,804,358</u>	<u>\$ 2,508,659</u>	<u>\$ 35,263,999</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 101,312	\$ 0	\$ 3,436	\$ 104,748
Contracts Payable	0	0	480,630	480,630
Accrued Wages and Benefits	2,844,861	0	135,872	2,980,733
Vacation Benefits Payable	147,596	0	10,772	158,368
Mature Compensated Absences Payable	563,498	0	0	563,498
Interfund Payable	0	0	44,919	44,919
Intergovernmental Payable	1,099,611	0	75,512	1,175,123
Deferred Revenue	15,291,297	2,059,266	272,513	17,623,076
<i>Total Liabilities</i>	<u>20,048,175</u>	<u>2,059,266</u>	<u>1,023,654</u>	<u>23,131,095</u>
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	1,049,976	0	1,190,992	2,240,968
Reserved for Tax Revenue Unavailable for Appropriation	2,091,207	267,953	35,906	2,395,066
Unreserved:				
Undesignated, Reported in:				
General Fund	5,761,624	0	0	5,761,624
Special Revenue Funds	0	0	230,110	230,110
Debt Service Fund	0	1,477,139	0	1,477,139
Capital Projects Funds	0	0	27,997	27,997
<i>Total Fund Balances</i>	<u>8,902,807</u>	<u>1,745,092</u>	<u>1,485,005</u>	<u>12,132,904</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 28,950,982</u>	<u>\$ 3,804,358</u>	<u>\$ 2,508,659</u>	<u>\$ 35,263,999</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2007*

Total Governmental Fund Balances		\$ 12,132,904
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		43,601,619
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

Grants	\$ 83,718	
Delinquent Property Taxes	<u>772,215</u>	855,933

Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.

367,093

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

979,525

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.

General Obligation Bonds and Notes Payable	(31,293,952)	
Compensated Absences	<u>(4,539,050)</u>	<u>(35,833,002)</u>

Net Assets of Governmental Activities		<u><u>\$ 22,104,072</u></u>
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See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 17,843,656	\$ 2,622,406	\$ 305,189	\$ 20,771,251
Intergovernmental	17,600,560	254,878	2,359,438	20,214,876
Investment Income	762,455	83,019	84,940	930,414
Tuition and Fees	465,517	0	122,456	587,973
Extracurricular Activities	0	0	727,008	727,008
Charges for Services	74,363	0	1,005,231	1,079,594
Miscellaneous	95,126	267,780	183,241	546,147
<i>Total Revenues</i>	<u>36,841,677</u>	<u>3,228,083</u>	<u>4,787,503</u>	<u>44,857,263</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,684,528	0	139,048	16,823,576
Special	1,895,123	0	490,647	2,385,770
Vocational	1,592,546	0	133,039	1,725,585
Other	849,362	0	0	849,362
Support Services:				
Pupils	1,798,189	0	397,738	2,195,927
Instructional Staff	900,012	0	265,521	1,165,533
Board of Education	191,633	0	0	191,633
Administration	2,813,227	0	458,255	3,271,482
Fiscal	586,016	27,990	8,233	622,239
Business	1,355	0	0	1,355
Operation and Maintenance of Plant	4,277,163	0	296,278	4,573,441
Pupil Transportation	1,452,934	0	4,891	1,457,825
Central	1,066,133	0	68,978	1,135,111
Operation of Non-Instructional Services	0	0	282,731	282,731
Food Service Operations	0	0	1,332,097	1,332,097
Uniform Supplies	0	0	32,639	32,639
Vocational Education Customer Services	0	0	119,007	119,007
Adult Education	0	0	37,879	37,879
Bear Cub Academy	0	0	70,983	70,983
Extracurricular Activities	630,312	0	373,496	1,003,808
Capital Outlay	779,539	0	628,950	1,408,489
Debt Service:				
Principal Retirement	19,116	1,845,590	0	1,864,706
Interest and Fiscal Charges	54	1,168,673	0	1,168,727
<i>Total Expenditures</i>	<u>35,537,242</u>	<u>3,042,253</u>	<u>5,140,410</u>	<u>43,719,905</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,304,435	185,830	(352,907)	1,137,358
Other Financing Sources (Uses):				
Proceeds from Refunding Bond Issuance	0	9,169,993	0	9,169,993
Premium on Refunding Bond Issuance	0	536,241	0	536,241
Bond Issuance Costs	0	(180,714)	0	(180,714)
Payment to Refunding Bond Escrow Agent	0	(9,525,029)	0	(9,525,029)
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Financing Sources and (Uses)</i>	<u>(5,000)</u>	<u>491</u>	<u>5,000</u>	<u>491</u>
<i>Net Change in Fund Balance</i>	1,299,435	186,321	(347,907)	1,137,849
<i>Fund Balance at Beginning of Year</i>	<u>7,603,372</u>	<u>1,558,771</u>	<u>1,832,912</u>	<u>10,995,055</u>
<i>Fund Balance at End of Year</i>	<u>\$ 8,902,807</u>	<u>\$ 1,745,092</u>	<u>\$ 1,485,005</u>	<u>\$ 12,132,904</u>

See accompanying notes to the basic financial statements

Wadsworth City School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	1,137,849
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 1,488,913	
Current Year Depreciation	<u>(1,545,779)</u>	(56,866)
Net effect of transactions involving disposal of capital assets are not reflected in the funds.		(43,863)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	54,633	
Delinquent Property Taxes	<u>47,042</u>	101,675
Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		169,065
Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	1,845,590	
Capital Leases	<u>19,116</u>	1,864,706
The issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are not reflected in the statement of net assets as long-term assets and liabilities.		
Payment to refund bond escrow agent	9,525,029	
Proceeds of refunding bonds	(9,169,993)	
Premium on new bonds	<u>(536,241)</u>	(181,205)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(1,084,692)	
Bond accretion	(363,084)	
Amortization of Bond Premium	31,775	
Amortization of Refunding Loss	<u>(20,029)</u>	(1,436,030)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		<u>153,777</u>
Change in Net Assets of Governmental Activities	\$	<u><u>1,709,108</u></u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 16,431,410	\$ 16,431,410	\$ 17,225,384	\$ 793,974
Intergovernmental	17,939,608	18,216,185	17,600,560	(615,625)
Investment Income	713,273	724,270	699,793	(24,477)
Tuition and Fees	551,078	559,574	540,663	(18,911)
Miscellaneous	77,101	78,290	75,644	(2,646)
<i>Total Revenues</i>	<u>35,712,470</u>	<u>36,009,729</u>	<u>36,142,044</u>	<u>132,315</u>
Expenditures:				
Current				
Instruction	20,791,573	19,928,495	20,517,733	(589,238)
Support Services				
Pupils	1,820,280	1,744,745	1,795,653	(50,908)
Instructional Staff	921,297	882,995	910,541	(27,546)
Board of Education	227,563	218,435	216,989	1,446
Administration	2,834,424	2,715,905	2,817,522	(101,617)
Fiscal	607,886	582,669	599,491	(16,822)
Business	1,354	1,297	1,355	(58)
Operation and Maintenance of Plant	4,816,466	4,619,755	4,676,344	(56,589)
Pupil Transportation	1,473,288	1,411,795	1,461,865	(50,070)
Central	1,223,199	1,174,245	1,163,768	10,477
Extracurricular Activities	625,690	599,364	625,843	(26,479)
Capital Outlay	2,206,793	2,154,427	1,244,878	909,549
<i>Total Expenditures</i>	<u>37,549,813</u>	<u>36,034,127</u>	<u>36,031,982</u>	<u>2,145</u>
Excess of Revenues Over (Under) Expenditures	(1,837,343)	(24,398)	110,062	134,460
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	26,858	27,272	26,350	(922)
Refund of Prior Year Expenditures	2,273	2,308	2,230	(78)
Advances In	44,060	44,739	43,227	(1,512)
Advances Out	(44,883)	(42,993)	(44,919)	(1,926)
Transfers Out	(4,996)	(4,786)	(5,000)	(214)
<i>Total Other Financing Sources (Uses)</i>	<u>23,312</u>	<u>26,540</u>	<u>21,888</u>	<u>(4,652)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,814,031)	2,142	131,950	129,808
<i>Fund Balance at Beginning of Year</i>	8,568,714	8,568,714	8,568,714	0
<i>Prior Year Encumbrances Appropriated</i>	1,546,913	1,546,913	1,546,913	0
<i>Fund Balance at End of Year</i>	<u>\$ 8,301,596</u>	<u>\$ 10,117,769</u>	<u>\$ 10,247,577</u>	<u>\$ 129,808</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2007

	Governmental Activities - Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,159,335
<i>Total Current Assets</i>	<u>1,159,335</u>
Liabilities	
Current Liabilities:	
Claims Payable	179,810
<i>Total Current Liabilities</i>	<u>179,810</u>
Net Assets	
Unrestricted	<u>979,525</u>
<i>Total Net Assets</i>	<u><u>\$ 979,525</u></u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
<hr/>	
Operating Revenues:	
Charges for Services	\$ 3,589,946
	<hr/>
<i>Total Operating Revenues</i>	3,589,946
	<hr/>
Operating Expenses:	
Purchased Services	211,800
Claims	3,224,369
	<hr/>
<i>Total Operating Expenses</i>	3,436,169
	<hr/>
<i>Change in Net Assets</i>	153,777
	<hr/>
<i>Net Assets Beginning of Year</i>	825,748
	<hr/>
<i>Net Assets End of Year</i>	\$ 979,525
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received from Service Charges	\$ 3,591,059
Cash Paid for Goods and Services	(211,800)
Cash Paid for Claims	(3,239,732)
<i>Net Cash Provided By Operating Activities</i>	<i>139,527</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>139,527</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>1,019,808</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 1,159,335</i>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 153,777
Adjustments:	
(Increase) Decrease Assets	
Accounts Receivable	1,113
Increase (Decrease) in Liabilities	
Claims Payable	(15,363)
<i>Total Adjustments</i>	<i>(14,250)</i>
<i>Net Cash Provided By Operating Activities</i>	<i>\$ 139,527</i>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 144,864
Receivables: Accounts	<u>515</u>
<i>Total Assets</i>	<u>\$ 145,379</u>
Liabilities	
Accrued Wages	\$ 41,641
Intergovernmental Payable	6,887
Undistributed Monies	<u>96,851</u>
<i>Total Liabilities</i>	<u>\$ 145,379</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The Wadsworth City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's eight instructional/support facilities staffed by 241 noncertificated employees and 300 certificated full-time teaching personnel who provide services to 4,875 students and other community members.

The School District provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These School District operations will be included as part of the reporting entity.

Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. Management has determined the School District has no component units.

On this basis, the basic financial statements include all of the funds of the School District over which the Board of Education exercises operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities and its internal service fund provided they do not conflict with or contradict GASB pronouncements.

A. Basis of Presentation

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

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

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

Debt Service Fund The Debt Service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the upgrade of school facilities.

The Other Governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following is the School District's proprietary fund type:

Internal Service Fund The Internal Service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only Internal Service fund accounts for a self-insurance program for employee medical, dental, and prescription drug benefits.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund. The School District's agency fund accounts for student activities, and the Four Cities Educational Compact as shown in Note 18.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, 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.

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

Fiduciary funds are reported using the economic resources management focus and are excluded from the government-wide financial statements.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal 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 School District, available means expected to be received within sixty days of the fiscal year-end.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

Under the modified accrual 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. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District 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 2007, the School District had investments in STAROhio, (the State Treasurer's Investment Pool) and an overnight sweep account, and other investments. See Note 6 for a full listing of the School District's investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as overnight repurchase agreements are reported at cost.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$762,455, which includes \$229,142 from other School District funds.

F. Restricted Assets

Assets are reported as restricted 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 may include amounts required by statute to be set-aside for the purchase of textbooks and capital improvements. See Note 22 for additional information regarding set asides.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported 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. Donated capital assets are recorded at their fair market values as of the date received. The School District capital asset policy is to tag all items over \$5,000 and other items controlled by management. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land	N/A
Land Improvements	39 Years
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	13 Years
Textbooks	5 Years

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. These amounts are recorded as vacation benefits payable in the basic financial statements.

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

I. Accrued Liabilities and Long-term Obligations

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

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

J. Net Assets

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

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

K. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

M. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated.

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the 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 2007.

O. Estimates

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

P. Budgetary Data

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007.

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

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

NOTE 3 – RESTATEMENT OF NET ASSETS

During fiscal year 2007, the amount of \$1,250,573 was added to long term liabilities – due in more than one year for prior years accretion on capital appreciation bonds that were incorrectly accounted for. The results of net assets is summarized below:

Governmental Activities	
Net Assets at June 30, 2006	\$ 21,645,537
Adjustment to long term liabilities	(1,250,573)
Restated Net Assets at July 1, 2006	\$ 20,394,964

NOTE 4 – ACCOUNTABILITY

Fund balances/net assets at June 30, 2007 included the following individual fund deficits:

	Deficit Fund Balance
Other Governmental Funds:	
IDEA-B Grant	\$ 71,557
Carl Perkins Compact	27,280
Title I	5,826
Chapter II	4,538
Class Reduction Grant	11,228

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$ 1,299,435
Net Adjustment for Revenue Accruals	(1,376,425)
Net Adjustment for Expenditure Accruals	1,360,227
Adjustment for Encumbrances	(1,151,287)
Budget Basis	<u><u>\$ 131,950</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

Wadsworth City School District
Notes to the Basic Financial Statements
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Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (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 (STAROhio);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% 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.

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand At year end, the School District had \$1,891 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Wadsworth City School District
Notes to the Basic Financial Statements
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Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$4,463,577 and the bank balance was \$4,670,138. Of the bank balance:

1. \$391,886 of the bank balance was covered by federal depository insurance; and
2. \$4,278,252 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments – Investments are reported at fair value. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments are reported at fair value. As of June 30, 2007, the School District had the following investments:

Rating by Moody	Entity	Fair Value	Investment Maturities			Percentage of Total Investment
			In Months (0-6)	In Months (7-12)	In Months More than 24	
N/A	Repurchase agreement	\$ 504,549	\$ 504,549	\$ 0	\$ 0	4.22%
AAAm**	STAROhio	1,990,391	1,990,391	0	0	16.66%
Aaa	Federal Home Loan Bank	3,992,473	1,496,994	998,738	1,496,741	33.42%
Aaa	Federal Home Loan Mortgage Corp	1,497,300	1,497,300	0	0	12.53%
Aaa	Federal National Mortgage Assoc	3,961,141	3,961,141	0	0	33.16%
		<u>\$ 11,945,854</u>	<u>\$ 9,450,375</u>	<u>\$ 998,738</u>	<u>\$ 1,496,741</u>	<u>100.00%</u>

** Rated by Standard and Poor's

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk – The School District's investment credit ratings are summarized above. The Repurchase agreement is not rated by Standard & Poor's or Moody's Investor Services, because underlying securities are exempt.

Concentration of Credit Risk –The School District places no limit on the amount the School District may invest in any one issuer. See percentage's above.

NOTE 7 – PROPERTY TAXES

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

Wadsworth City School District
Notes to the Basic Financial Statements
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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006 on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 % of true value for capital assets and 23 % of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$2,091,207 in the General Fund, \$267,953 in the Bond Retirement Debt Service Fund, and \$35,906 in the Permanent Improvement Capital Projects Fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred since it has not been received within the available period.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 561,398,670	91.77%	\$ 579,068,180	93.60%
Public Utility	26,380	0.00%	26,190	0.00%
Tangible Personal Property	50,359,982	8.23%	39,551,678	6.40%
	<u>\$ 611,785,032</u>	<u>100.00%</u>	<u>\$ 618,646,048</u>	<u>100.00%</u>
 Tax rate per \$1,000 assessed valuation	 \$ 50.86		 \$ 50.86	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, interest, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables as of June 30, 2007:

Governmental Activities:	
IDEA-B Grant	\$ 24,610
Carl Perkins Grant	15,718
Title I	37,406
Title V	4,422
Title V (SDFSC)	1,562
	<u>\$ 83,718</u>

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,111,437	\$ 0	\$ 0	\$ 1,111,437
Construction in progress	1,453,418	1,181,086	(1,452,624)	1,181,880
<i>Total Capital Assets, not being depreciated:</i>	<u>2,564,855</u>	<u>1,181,086</u>	<u>(1,452,624)</u>	<u>2,293,317</u>
 <i>Capital Assets, being depreciated:</i>				
Land improvements	1,826,719	0	0	1,826,719
Buildings and improvements	51,188,762	1,200,346	0	52,389,108
Furniture and equipment	9,401,309	325,152	(464,804)	9,261,657
Vehicles	2,062,736	234,953	(92,150)	2,205,539
Textbooks	1,773,632	0	0	1,773,632
Total Capital Assets, being depreciated	<u>66,253,158</u>	<u>1,760,451</u>	<u>(556,954)</u>	<u>67,456,655</u>
 Less Accumulated Depreciation:				
Land improvements	(636,617)	(75,959)	0	(712,576)
Buildings and improvements	(16,009,376)	(674,426)	0	(16,683,802)
Furniture and equipment	(6,027,275)	(556,421)	430,798	(6,152,898)
Vehicles	(1,234,246)	(132,687)	82,293	(1,284,640)
Textbooks	(1,208,151)	(106,286)	0	(1,314,437)
Total Accumulated Depreciation	<u>(25,115,665)</u>	<u>(1,545,779)</u>	<u>513,091</u>	<u>(26,148,353)</u>
 Total Capital Assets being depreciated, net	 <u>41,137,493</u>	 <u>214,672</u>	 <u>(43,863)</u>	 <u>41,308,302</u>
 <i>Governmental Activities Capital Assets, Net</i>	 <u>\$ 43,702,348</u>	 <u>\$ 1,395,758</u>	 <u>\$ (1,496,487)</u>	 <u>\$ 43,601,619</u>

Wadsworth City School District
Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Governmental Functions:	
Instruction:	
Regular	\$ 220,527
Special	5,685
Vocational	45,051
Support Services:	
Pupil	69,871
Instructional Staff	6,781
Board	157
Administration	11,704
Fiscal	2,559
Operation and Maintenance of Plant	804,747
Central	192,839
Pupil Transportaion	138,355
Operation of Non-Instructional Services	15,833
Food Services	22,605
Extracurricular Activities	9,065
	9,065
Total Depreciation	\$ 1,545,779

NOTE 10 – RISK MANAGEMENT

A. Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$10,000 per incident and a policy limit of \$123,940,256. The School District’s vehicle liability insurance policy limit is \$1,000,000 with a \$1,000 collision deductible. All administrators and employees are covered under a School District liability policy and an umbrella policy. The combined limits of these coverages are \$7,000,000 per occurrence and \$8,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

B. Fidelity Bonds

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. All other school employees who are responsible for handling funds are covered by a \$20,000 crime coverage bond.

C. Workers’ Compensation

The School District pays the State Workers’ Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio Association of School Business Official’s Group Rating Program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

D. Employee Health Insurance

The School District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the School District's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The School District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$3,768,807 per fiscal year with a \$150,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

The claims liability of \$179,810 reported in the fund at June 30, 2007 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the School District's third party administrator. A summary of the fund's claims liability in fiscal years 2006 and 2007 is as follows:

	Beginning of Year	Claims	Payments	End of Year
2006	\$ 118,686	\$ 3,307,420	\$ (3,230,933)	\$ 195,173
2007	\$ 195,173	\$ 3,224,369	\$ (3,239,732)	\$ 179,810

NOTE 11 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the School District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 284 days for classified employees and 284 days for certified employees. For certified employees, payment is made at the time of termination for 40% of a certified employee's accumulated sick leave up to 200 days, a benefit of up to 80 days. For classified employees, payment is made at the time of termination for 40% of a classified employee's accumulated sick leave up to 200 days, a benefit of up to 80 days. Certified receive \$100 per year until they reach the 80 day cap if retiring after 15 years, for each year with the School District. Classified receive 1 day of sick pay until they reach the 80 day cap if retiring after 15 years, for each year with the School District. In addition, certified employees retiring in their first year of eligibility with the State Teachers Retirement System are eligible for an enhanced severance in lieu of the standard severance mentioned above. The enhanced severance is for 60% of a certified employee's accumulated sick leave up to 200 days, a benefit of up to 120 days.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$680,866, \$655,813, and \$663,720, respectively; 36% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$434,168 represents the unpaid contribution for fiscal year 2007, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7897, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan members may retire after five years of service at age 60; 25 years of service at age 55; or 30 years of service regardless of age. 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Wadsworth City School District
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For the Fiscal Year Ended June 30, 2007

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$2,378,539, \$2,267,630, and \$2,177,976, respectively; 83% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$30,806 made by the School District and \$79,109 made by the plan members. \$415,077 represents the unpaid contribution for fiscal year 2007, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 13 – POSTEMPLOYMENT BENEFITS

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$169,896 during the 2007 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006 (the latest information available), the health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2007, employer contributions to fund health care benefits were 3.42% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, (the latest information available), the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$441,885.

Net health care costs for year ending June 30, 2006, (the latest information available), were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, (the latest information available), the value of the health care fund was \$295.6 million which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS had approximately 59,492 participants currently receiving health care benefits.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – LONG TERM DEBT OBLIGATIONS

The changes in the School District's long-term obligations during the year consist of the following:

	Restated Outstanding 6/30/06	Additions	Reductions	Outstanding 6/30/07	Amounts Due in One Year
Governmental Activities:					
Notes Payable:					
<i>Tax Anticipation Note (Capital Related) 3.45%</i>	\$ 740,000	\$ 0	\$ 365,000	\$ 375,000	\$ 375,000
General Obligation Bonds:					
<i>School Improvement Bonds-2007</i>					
Serial Bonds - 4%, 6/06-12/22	0	8,510,000	0	8,510,000	160,000
Capital Appreciation bonds 10.439%, 12/15 - 12/16	0	659,993	0	659,993	0
Accretion on Capital Appreciation bonds	0	22,523	0	22,523	0
Premium	0	536,241	0	536,241	0
Refunding Loss	0	(355,029)	0	(355,029)	0
<i>School Improvement Bonds-2006</i>					
Serial Bonds - 4-4.2%, 6/06-12/22	8,695,000	0	40,000	8,655,000	100,000
Capital Appreciation bonds 12.1-12.2%, 12/14 - 12/15	614,990	0	0	614,990	0
Accretion on Capital Appreciation bonds	0	77,206	0	77,206	0
Premium	540,179	(31,775)	0	508,404	0
Refunding Loss	(340,496)	20,029	0	(320,467)	0
<i>School Improvement Bonds-1998</i>					
3.75-5.125%, 4/98 - 12/22	11,445,000	0	9,700,000	1,745,000	0
Capital Appreciation bonds 4.5%, 12/07 - 12/08	279,987	0	0	279,987	143,723
Accretion on Capital Appreciation bonds	568,185	124,241	0	692,426	373,612
<i>School Improvement Bonds-1999</i>					
3.30-5.00%, 4/99 - 12/22	2,370,000	0	390,000	1,980,000	425,000
Capital Appreciation bonds 5%, 12/10 - 12/12	694,997	0	0	694,997	0
Accretion on Capital Appreciation bonds	445,565	82,059	0	527,624	0
<i>School Improvement Bonds-2000</i>					
4.25-5.75%, 4/00 - 12/22	385,000	0	85,000	300,000	100,000
Capital Appreciation bonds 5.15%, 12/10 - 12/12	94,999	0	0	94,999	0
Accretion on Capital Appreciation bonds	84,554	19,520	0	104,074	0
<i>Library Improvement Bonds-2001 (See Note 16)</i>					
3.00-5.15%, 12/01 - 12/22	4,250,006	0	225,000	4,025,006	235,000
Capital Appreciation bonds 7.296%, 12/12 - 12/14	354,994	0	0	354,994	0
Accretion on Capital Appreciation bonds	152,269	37,535	0	189,804	0
<i>HB 264 Series - 2004</i>					
4.04%, 06/04 - 12/08	331,770	0	110,590	221,180	110,590
<i>Energy Conversation Imp Bonds</i>					
2001, 5.25%, 12/01 - 12/14	900,000	0	100,000	800,000	100,000
Total General Obligation Bonds	31,866,999	9,702,543	10,650,590	30,918,952	1,747,925
Capital Lease Payable	19,116	0	19,116	0	0
Compensated Absences	3,454,358	1,219,870	135,178	4,539,050	121,077
Total Governmental Activities	36,080,473	10,922,413	11,169,884	35,833,002	2,244,002
Long-Term Liabilities	36,080,473	10,922,413	11,169,884	35,833,002	2,244,002

Balances from June 30, 2006 were re-stated due to calculation of accretion on capital appreciation bonds not being calculated in prior years.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

2007 School Improvement Refunding General Obligation Bonds

On February 6, 2007, the School District issued \$9,169,993 refunded general obligation bonds. The proceeds of the bonds were used to refund \$9,170,000 of the School District's outstanding 1998 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. At the date of the refunding, \$9,525,029 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2007, \$9,170,000 of these bonds are considered defeased.

These refunding bonds were issued with a premium of \$536,241, which is reported as an increase to bonds payable. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, the amortization for June 30, 2007 was \$0. The issuance costs of \$180,714 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method, the amortization for June 30, 2007 was \$0. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$355,029. This difference, reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2007 was \$0. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$594,174. The issuance resulted in an economic gain of \$444,217.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature December 1, 2015 and 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bonds is \$659,993.

2006 School Improvement Refunding General Obligation Bonds

On June 1, 2006, the School District issued \$9,309,990 refunded general obligation bonds. The proceeds of the bonds were used to refund \$7,960,000 of the School District's outstanding 1998 and 1999 School Improvement bonds, and \$1,350,000 of the outstanding 2000 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. At the date of the refunding, \$9,650,496 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2006, \$9,310,000 of these bonds are considered defeased.

These refunding bonds were issued with a premium of \$540,179, which is reported as an increase to bonds payable. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, the amortization for June 30, 2007 was \$31,775. The issuance costs of \$198,028 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method, the amortization for June 30, 2007 was \$11,649. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$340,496. This difference, reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2007 was \$20,029. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$418,484. The issuance resulted in an economic gain of \$306,718.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature December 1, 2014 and 2015. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bonds is \$614,990.

General obligation bonds and notes payable will be paid from the Debt Service fund. Compensated absences will be paid from the General Fund and respective funds. The capital lease payable will be paid from the General Fund.

The net proceeds of the 2002 Tax Anticipation Notes were used to provide funding for capital improvements.

Principal and interest requirements to retire general obligation bonds and notes payable outstanding at June 30, 2007 are as follows:

NOTES PAYABLE

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 375,000	\$ 6,937	\$ 381,937

GENERAL OBLIGATION/CAPITAL APPRECIATION BONDS

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Accretion/ Interest
	2008	\$ 1,230,590	\$ 1,990,777	\$ 143,723	\$ 411,277	\$ 1,374,313
2009	1,220,596	2,012,670	136,264	418,736	1,356,860	2,431,406
2010	1,715,000	1,945,248	0	0	1,715,000	1,945,248
2011	1,155,000	1,867,086	271,916	373,084	1,426,916	2,240,170
2012	1,205,000	1,811,195	389,863	560,137	1,594,863	2,371,332
2013 - 2017	5,100,000	4,664,543	1,758,193	2,971,807	6,858,193	7,636,350
2018 - 2022	11,905,000	2,086,324	0	0	11,905,000	2,086,324
2023 - 2027	2,705,000	104,928	0	0	2,705,000	104,928
Total	\$ 26,236,186	\$ 16,482,771	\$ 2,699,959	\$ 4,735,041	\$ 28,936,145	\$ 21,217,812

NOTE 15 – CAPITALIZED LEASES

Capital lease obligations relate to the School District’s long term obligation for fitness equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease principal payments amounted to \$19,116 for the fiscal year ended June 30, 2007. The carrying cost of the capital lease assets is \$218,901. As of June 30, 2007 the capital lease obligation has been met.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 – THIRD PARTY OBLIGATIONS

To provide for expansion and other permanent improvements at the Ella M. Everhard Public Library, the School District issued permanent improvement bonds. These bonds are general obligations of the School District, payable from a tax levy passed by the voters of the Wadsworth City School District and backed by the full faith and credit of the School District. The assets related to this debt are assets of Ella M. Everhard Public Library. Due to the fact that the School District has reported the debt with no corresponding asset, the deficit unrestricted net assets were decreased by \$5,240,000 in fiscal year 2003.

At June 30, 2007, Library Improvement Bonds outstanding totaled \$4,380,000.

NOTE 17 – INTERFUND TRANSACTIONS

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2007 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 44,919	\$ 0
Other Governmental Funds	0	44,919
Total	\$ 44,919	\$ 44,919

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2007, all interfund payables outstanding are anticipated to be repaid in fiscal year 2008.

The following is a summarized breakdown of the School District’s transfers for fiscal year 2006:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 5,000
Other Governmental Funds	5,000	0
	\$ 5,000	\$ 5,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

The Midland Council of Governments is a jointly governed organization among twenty-two boards of education. The Council of Governments was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Council of Governments is provided by member fees levied according to the number of students within each member’s respective district. The Executive Committee determines and sets the fees for all services.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Representation on the Midland Council of Governments consists of one member appointed by each member board of education. The representative shall be either the superintendent, assistant superintendent or treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who are elected for two year terms except the position of fiscal agent superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two superintendents, two treasurers, two members-at-large and the fiscal agent superintendent.

Four Cities Educational Compact

The Four Cities Educational Compact is a jointly governed organization among four boards of education. The compact was formed to provide a full range of career technical education opportunities for the students. Students from any of the four districts may participate in programs at all four districts. Operating costs are apportioned based on student placement. Wadsworth City School District is the fiscal agent for the Compact and has accounted for the financial activity of the Compact as an agency fund. The School District also has received a federal grant on behalf of the Compact, which has been included on the Schedule of Federal Financial Assistance. The Administrative Board of the Compact is comprised of the superintendent from each district. Each superintendent serves a one year term as chairman on a rotating basis.

NOTE 19 – RELATED ORGANIZATIONS

The Ella M. Everhard Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the tax authority for the Library. Once the Library determines to present a levy to the voters, including the determination to the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2007. In 2000 the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$5,599,995. The electors of the School District approved the levy. See Note 16 for additional disclosures regarding the bond issue.

NOTE 20 - CONTINGENCIES

Grants

The School District received financial assistance from Federal and State 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

Litigation

The School District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 21 – CONSTRUCTION COMMITMENTS

The following construction commitments at June 30, 2007 will be financed with capital project funds revenues:

Project	Total Authorized Cost	Expended to June 30, 2007	Balance at June 30, 2007
Isham Memorial	\$ 204,887	\$ 0	\$ 204,887
Computer Network	131,332	122,308	9,024
Stadium North Field House	872,050	363,558	508,492
Track Bleachers	132,950	0	132,950
WHS/WMS/Lincoln Paving	807,778	0	807,778

NOTE 22 – SET ASIDES

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Carryover Balance as of June 30, 2006	\$ 0	\$ (2,858,115)	\$ (2,858,115)
Current Year Set-Aside Requirement	716,288	716,288	1,432,576
Qualifying Disbursements	(2,191,950)	(865,381)	(3,057,331)
Total	<u>\$ (1,475,662)</u>	<u>\$ (3,007,208)</u>	<u>\$ (4,482,870)</u>
Cash Balance Carried Forward FY 2008	<u>\$ 0</u>	<u>\$ (3,007,208)</u>	<u>\$ (3,007,208)</u>
Amount to Restrict for Set-Asides			<u>\$ 0</u>
Total Restricted Assets			<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The excess qualifying textbook disbursements may be used to reduce the set-aside requirement in future fiscal years.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 21, 2007

To the Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wadsworth City School District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wadsworth City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Wadsworth City School District, Medina County, Ohio

Internal Control-Compliance Report

Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Wadsworth City School District in a separate letter dated November 21, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wadsworth City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances that we have reported to management of Wadsworth City School District in a separate letter dated November 21, 2007.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 21, 2007

The Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Wadsworth City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Wadsworth City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Wadsworth City School District's management. Our responsibility is to express an opinion on Wadsworth City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wadsworth City School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wadsworth City School District's compliance with those requirements.

In our opinion, Wadsworth City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Wadsworth City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wadsworth City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wadsworth City School Districts' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wadsworth City School District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Wadsworth City School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

WADSWORTH CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2006	\$ 15,244	\$ 15,244	0
Title I	84.010	C1-S1-2007	130,201	139,598	0
Total Title I			145,445	154,842	0
<i>Special Education Cluster</i>					
IDEA-B {C}	84.027	6B-SF-2006	(4,722)	0	0
IDEA-B {C}	84.027	6B-SD-2006	(4,177)	0	0
IDEA-B	84.027	6B-SF-2007	948,576	957,968	0
Total IDEA-B			939,677	957,968	0
EARLY CHILDHOOD SE	84.173	PG-S1-2007	18,480	18,480	0
Total Preschool Grants			18,480	18,480	0
<i>Total Special Education Cluster</i>			958,157	976,448	0
Safe and Drug-Free Schools and Communities {C}	84.186	DR-S1-2006	(1,562)	0	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2007	12,750	12,809	0
Total Safe and Drug-Free Schools and Communities			11,188	12,809	0
Carl Perkins - Vocational Education	84.048	20-C1-2006	22,233	11,329	0
Carl Perkins - Vocational Education	84.048	20-C1-2007	204,791	208,806	0
Carl Perkins - Vocational Education	84.048	20-A0-2005	4,163	14,024	0
Total Vocational Education			231,187	234,159	0
Title II-D - Technology	84.318	TJ-S1-2007	1,780	1,780	0
Total Title II-D - Technology			1,780	1,780	0
Title V	84.298	C2-S1-2006	1,775	1,775	0
Title V	84.298	C2-S1-2007	5,724	9,491	0
Total Title V			7,499	11,266	0
Title II-A TQU	84.367	TR-S1-2006	31,045	31,045	0
Title II-A TQU	84.367	TR-S1-2007	108,053	84,255	0
Total Title II-A			139,098	115,300	0
Total Department of Education			1,494,354	1,506,604	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Food Distribution Program (A) (B)	10.550		50,437	0	50,437
<i>Nutrition Cluster:</i>					
Breakfast Fed. Aid (B)	10.553		26,283	26,283	0
National School Lunch Program (B)	10.555		184,713	184,713	0
Total Nutrition Cluster			210,996	210,996	0
Total Department of Agriculture			261,433	210,996	50,437
Total Federal Assistance			\$ 1,755,787	\$ 1,717,600	\$ 50,437

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
{C} Refunded Receipt

**WADSWORTH CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster #84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.



Mary Taylor, CPA
Auditor of State

WADSWORTH CITY SCHOOL DISTRICT

MEDINA 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
DECEMBER 20, 2007**