



**Auditor of State
Betty Montgomery**

**CITY OF WADSWORTH
MEDINA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Wadsworth
Medina County
120 Maple Street
Wadsworth, Ohio 44281

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Wadsworth, Medina County, Ohio, (the City) as of and for the year ended December 31, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Wadsworth, Medina County, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general purpose financial statements, effective January 1, 2001, the City changed its method of accounting for non-exchange transactions as required by Governmental Accounting Standards Board Statement No. 33. In addition, as explained in Note 4, the City changed its capitalization threshold and updated their fixed asset listing.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the City, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 29, 2003

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**City of Wadsworth, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$2,319,285	\$4,428,924	\$620,538	\$2,529,762
Cash and Cash Equivalents in Segregated Accounts	13,061	0	0	0
Cash with Fiscal and Escrow Agents	0	0	785	0
Receivables:				
Taxes	710,981	1,533,978	0	210,461
Accounts	96,774	206,258	0	0
Interfund	156,746	0	0	0
Special Assessments	0	0	998,998	0
Accrued Interest	56,986	0	0	0
Intergovernmental	152,564	120,047	0	108,000
Materials and Supplies Inventory	0	79,885	0	0
Notes Receivable	0	28,502	0	0
Prepaid Items	37,104	10,917	0	0
Restricted Assets:				
Equity in Pooled Cash	0	0	0	0
Interfund Notes Receivable	939,996	1,336,693	0	0
Investment in Joint Venture	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
Total Assets and Other Debits	\$4,483,497	\$7,745,204	\$1,620,321	\$2,848,223
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$81,845	\$103,355	\$0	\$128,628
Interfund Payable	0	0	0	147,000
Accrued Wages and Benefits	58,431	37,131	0	0
Compensated Absences Payable	17,120	9,408	0	0
Retainage Payable	0	0	0	0
Intergovernmental Payables	171,337	78,902	0	157
Deferred Revenue	710,981	572,316	998,998	193,141
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	785	0
Accrued Interest Payable	0	739	0	5,696
Notes Payable	0	0	0	0
Claims and Judgments Payable	0	0	0	0
Payable from Restricted Assets:				
Refundable Deposits	0	0	0	0
Interfund Notes Payable	0	68,135	0	100,692
Police and Fire Past Service Cost	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
Total Liabilities	1,039,714	869,986	999,783	575,314
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	377,246	188,710	0	63,867
Reserved for Inventory	0	79,885	0	0
Reserved for Prepaid Items	37,104	10,917	0	0
Reserved for Debt Service	0	0	620,538	0
Reserved for Advances	939,996	1,336,693	0	0
Unreserved:				
Undesignated	2,089,437	5,259,013	0	2,209,042
Total Fund Equity and Other Credits	3,443,783	6,875,218	620,538	2,272,909
Total Liabilities, Fund Equity and Other Credits	\$4,483,497	\$7,745,204	\$1,620,321	\$2,848,223

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$3,144,025	\$195,117	\$46,047	\$0	\$0	\$13,283,698
0	0	619,494	0	0	632,555
31,431	0	0	0	0	32,216
0	0	0	0	0	2,455,420
3,256,218	101,524	0	0	0	3,660,774
0	0	0	0	0	156,746
0	0	0	0	0	998,998
0	0	0	0	0	56,986
40,000	0	2,928	0	0	423,539
2,389,611	26,857	0	0	0	2,496,353
0	0	0	0	0	28,502
30,265	0	0	0	0	78,286
0	0	244,872	0	0	244,872
2,450,220	0	0	0	0	4,726,909
1,212,654	0	0	0	0	1,212,654
41,356,408	212,155	0	15,786,933	0	57,355,496
0	0	0	0	5,887	5,887
0	0	0	0	614,651	614,651
0	0	0	0	3,881,120	3,881,120
0	0	0	0	108,459	108,459
<u>\$53,910,832</u>	<u>\$535,653</u>	<u>\$913,341</u>	<u>\$15,786,933</u>	<u>\$4,610,117</u>	<u>\$92,454,121</u>
\$1,066,527	\$0	\$0	\$0	\$0	\$1,380,355
9,746	0	0	0	0	156,746
115,522	0	0	0	0	211,084
1,743,895	0	0	0	1,226,880	2,997,303
0	0	581,739	0	0	581,739
234,114	0	0	0	28,537	513,047
0	0	0	0	0	2,475,436
0	0	86,730	0	0	86,730
31,431	0	0	0	0	32,216
235,302	0	0	0	0	241,737
8,379,118	0	0	0	0	8,379,118
0	244,642	0	0	0	244,642
0	0	244,872	0	0	244,872
3,885,160	0	0	0	672,922	4,726,909
0	0	0	0	103,778	103,778
335,000	0	0	0	2,530,000	2,865,000
0	0	0	0	48,000	48,000
<u>16,035,815</u>	<u>244,642</u>	<u>913,341</u>	<u>0</u>	<u>4,610,117</u>	<u>25,288,712</u>
0	0	0	15,786,933	0	15,786,933
5,407,261	0	0	0	0	5,407,261
32,467,756	291,011	0	0	0	32,758,767
0	0	0	0	0	629,823
0	0	0	0	0	79,885
0	0	0	0	0	48,021
0	0	0	0	0	620,538
0	0	0	0	0	2,276,689
0	0	0	0	0	9,557,492
<u>37,875,017</u>	<u>291,011</u>	<u>0</u>	<u>15,786,933</u>	<u>0</u>	<u>67,165,409</u>
<u>\$53,910,832</u>	<u>\$535,653</u>	<u>\$913,341</u>	<u>\$15,786,933</u>	<u>\$4,610,117</u>	<u>\$92,454,121</u>

City of Wadsworth, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues</u>				
Municipal Income Tax	\$0	\$4,609,053	\$0	\$0
Property and Other Taxes	689,132	620,927	0	327,038
Charges for Services	190,443	488,686	0	0
Licenses and Permits	86,072	124,327	0	102,921
Fines and Forfeitures	323,634	191,932	0	0
Intergovernmental	2,179,643	1,072,155	0	276,659
Special Assessments	0	0	126,941	67,402
Investment Income	156,938	124,803	15,829	654
Other	30,417	16,297	0	15
Total Revenues	3,656,279	7,248,180	142,770	774,689
<u>Expenditures</u>				
Current:				
General Government	1,662,368	146,535	2,419	24,749
Security of Persons and Property	3,174,030	776,232	0	0
Public Health and Welfare	54,992	0	0	10,631
Transportation	0	1,504,392	0	0
Community Environment	195,997	240	0	53,238
Leisure Time Activities	626,143	937,346	0	0
Economic Development and Assistance	0	0	0	510,702
Capital Outlay	242,183	252,300	0	384,391
Debt Service:				
Internal Notes	0	0	83,237	0
Principal Retirement	0	0	12,000	260,000
Interest and Fiscal Charges	0	5,123	53,660	141,193
Total Expenditures	5,955,713	3,622,168	151,316	1,384,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,299,434)	3,626,012	(8,546)	(610,215)
<u>Other Financing Sources (Uses)</u>				
Proceeds of Internal Bonds	0	0	0	48,320
Sale of Fixed Assets	4,445	1,385	0	0
Operating Transfers - In	3,642,700	1,561,800	0	916,449
Operating Transfers - Out	(609,239)	(5,723,440)	0	(94,183)
Total Other Financing Sources (Uses)	3,037,906	(4,160,255)	0	870,586
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	738,472	(534,243)	(8,546)	260,371
Fund Balances at Beginning of Year	2,705,311	7,474,786	629,084	2,012,538
(Decrease) in Reserve for Inventory	0	(65,325)	0	0
Fund Balances at End of Year	\$3,443,783	\$6,875,218	\$620,538	\$2,272,909

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

\$4,609,053
1,637,097
679,129
313,320
515,566
3,528,457
194,343
298,224
46,729

11,821,918

1,836,071
3,950,262
65,623
1,504,392
249,475
1,563,489
510,702
878,874

83,237
272,000
199,976

11,114,101

707,817

48,320
5,830
6,120,949
(6,426,862)

(251,763)

456,054

12,821,719

(65,325)

\$13,212,448

City of Wadsworth, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	685,200	698,004	12,804
Charges for Services	179,860	202,548	22,688
Licenses and Permits	77,200	86,217	9,017
Fines and Forfeitures	286,000	322,610	36,610
Intergovernmental	1,713,796	2,096,954	383,158
Special Assessments	0	0	0
Investment Income	110,000	290,793	180,793
Other	4,375	7,163	2,788
Total Revenues	<u>3,056,431</u>	<u>3,704,289</u>	<u>647,858</u>
<u>Expenditures</u>			
Current:			
General Government	2,105,083	1,872,433	232,650
Security of Persons and Property	3,705,952	3,579,772	126,180
Public Health and Welfare	58,708	57,438	1,270
Transportation	0	0	0
Community Environment	242,380	217,436	24,944
Leisure Time Activities	762,144	684,320	77,824
Economic Development and Assistance	0	0	0
Capital Outlay	315,953	250,304	65,649
Debt Service:			
Internal Notes	0	0	0
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>7,190,220</u>	<u>6,661,703</u>	<u>528,517</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,133,789)</u>	<u>(2,957,414)</u>	<u>1,176,375</u>
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	78,120	146,728	68,608
Other Financing Uses	(4,062)	(2,531)	1,531
Proceeds of Internal Bonds	0	0	0
Proceeds of Internal Notes	0	0	0
Sale of Fixed Assets	0	4,445	4,445
Advances - In	440,286	440,286	0
Advances - Out	(186,746)	(156,746)	30,000
Operating Transfers - In	3,644,000	3,642,700	(1,300)
Operating Transfers - Out	(685,504)	(609,239)	76,265
Total Other Financing Sources (Uses)	<u>3,286,094</u>	<u>3,465,643</u>	<u>179,549</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(847,695)</u>	<u>508,229</u>	<u>1,355,924</u>
Fund Balances at Beginning of Year	1,890,280	1,890,280	0
Prior Year Encumbrances Appropriated	<u>382,666</u>	<u>382,666</u>	<u>0</u>
Fund Balances at End of Year	<u>\$1,425,251</u>	<u>\$2,781,175</u>	<u>\$1,355,924</u>

See accompanying notes to the general purpose financial statements

Governmental Fund Types					
Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,355,000	\$4,841,734	(\$513,266)	\$0	\$0	\$0
720,375	651,097	(69,278)	0	0	0
533,750	489,991	(43,759)	0	0	0
97,500	110,303	12,803	0	0	0
161,000	191,132	30,132	0	0	0
848,005	1,007,283	159,278	0	0	0
0	0	0	149,000	126,941	(22,059)
111,315	119,329	8,014	25,000	17,174	(7,826)
20,327	24,712	4,385	0	0	0
<u>7,847,272</u>	<u>7,435,581</u>	<u>(411,691)</u>	<u>174,000</u>	<u>144,115</u>	<u>(29,885)</u>
166,717	140,445	26,272	4,000	2,419	1,581
989,301	842,647	146,654	0	0	0
0	0	0	0	0	0
1,844,337	1,634,464	209,873	0	0	0
5,750	300	5,450	0	0	0
1,121,820	1,059,934	61,886	0	0	0
0	0	0	0	0	0
405,930	278,686	127,244	0	0	0
86,885	86,875	10	83,237	83,237	0
0	0	0	12,000	12,000	0
6,081	6,081	0	53,660	53,660	0
<u>4,626,821</u>	<u>4,049,432</u>	<u>577,389</u>	<u>152,897</u>	<u>151,316</u>	<u>1,581</u>
<u>3,220,451</u>	<u>3,386,149</u>	<u>165,698</u>	<u>21,103</u>	<u>(7,201)</u>	<u>(28,304)</u>
3,060	26,958	23,898	0	0	0
(189,261)	(168,731)	20,530	0	0	0
0	0	0	0	0	0
133,275	68,135	(65,140)	0	0	0
500	1,385	885	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,563,600	1,561,800	(1,800)	0	0	0
(5,730,490)	(5,723,440)	7,050	0	0	0
<u>(4,219,316)</u>	<u>(4,233,893)</u>	<u>(14,577)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(998,865)	(847,744)	151,121	21,103	(7,201)	(28,304)
5,796,977	5,796,977	0	627,492	627,492	0
400,737	400,737	0	0	0	0
<u>\$5,198,849</u>	<u>\$5,349,970</u>	<u>\$151,121</u>	<u>\$648,595</u>	<u>\$620,291</u>	<u>(\$28,304)</u>

(continued)

City of Wadsworth, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types (Continued)
For the Year Ended December 31, 2001

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	344,000	397,121	53,121
Charges for Services	0	0	0
Licenses and Permits	80,500	105,310	24,810
Fines and Forfeitures	0	0	0
Intergovernmental	870,518	622,012	(248,506)
Special Assessments	52,960	67,402	14,442
Investment Income	66,000	0	(66,000)
Other	39,000	15	(38,985)
Total Revenues	<u>1,452,978</u>	<u>1,191,860</u>	<u>(261,118)</u>
<u>Expenditures</u>			
Current:			
General Government	5,550	5,149	401
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	68,060	55,515	12,545
Leisure Time Activities	0	0	0
Economic Development and Assistance	518,891	538,470	(19,579)
Capital Outlay	833,992	501,530	332,462
Debt Service:			
Internal Notes	270,951	270,951	0
Principal Retirement	260,000	260,000	0
Interest and Fiscal Charges	145,526	142,371	3,155
Total Expenditures	<u>2,102,970</u>	<u>1,773,986</u>	<u>328,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(649,992)</u>	<u>(582,126)</u>	<u>67,866</u>
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	1,400	1,510	110
Other Financing Uses	(2,410)	(2,389)	21
Proceeds of Internal Bonds	59,920	48,320	(11,600)
Proceeds of Internal Notes	143,692	100,692	(43,000)
Sale of Fixed Assets	0	0	0
Advances - In	0	147,000	147,000
Advances - Out	(440,286)	(440,286)	0
Operating Transfers - In	950,519	916,449	(34,070)
Operating Transfers - Out	(121,598)	(94,183)	27,415
Total Other Financing Sources (Uses)	<u>591,237</u>	<u>677,113</u>	<u>85,876</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(58,755)</u>	<u>94,987</u>	<u>153,742</u>
Fund Balances at Beginning of Year	1,897,082	1,897,082	0
Prior Year Encumbrances Appropriated	<u>378,792</u>	<u>378,792</u>	<u>0</u>
Fund Balances at End of Year	<u>\$2,217,119</u>	<u>\$2,370,861</u>	<u>\$153,742</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,355,000	\$4,841,734	(\$513,266)
1,749,575	1,746,222	(3,353)
713,610	692,539	(21,071)
255,200	301,830	46,630
447,000	513,742	66,742
3,432,319	3,726,249	293,930
201,960	194,343	(7,617)
312,315	427,296	114,981
63,702	31,890	(31,812)
<u>12,530,681</u>	<u>12,475,845</u>	<u>(54,836)</u>
2,281,350	2,020,446	260,904
4,695,253	4,422,419	272,834
58,708	57,438	1,270
1,844,337	1,634,464	209,873
316,190	273,251	42,939
1,883,964	1,744,254	139,710
518,891	538,470	(19,579)
1,555,875	1,030,520	525,355
441,073	441,063	10
272,000	272,000	0
205,267	202,112	3,155
<u>14,072,908</u>	<u>12,636,437</u>	<u>1,436,471</u>
<u>(1,542,227)</u>	<u>(160,592)</u>	<u>1,381,635</u>
82,580	175,196	92,616
(195,733)	(173,651)	22,082
59,920	48,320	(11,600)
276,967	168,827	(108,140)
500	5,830	5,330
440,286	587,286	147,000
(627,032)	(597,032)	30,000
6,158,119	6,120,949	(37,170)
<u>(6,537,592)</u>	<u>(6,426,862)</u>	<u>110,730</u>
<u>(341,985)</u>	<u>(91,137)</u>	<u>250,848</u>
(1,884,212)	(251,729)	1,632,483
10,211,831	10,211,831	0
<u>1,162,195</u>	<u>1,162,195</u>	<u>0</u>
<u>\$9,489,814</u>	<u>\$11,122,297</u>	<u>\$1,632,483</u>

City of Wadsworth, Ohio
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Operating Revenues</u>			
Charges for Services	\$23,967,214	\$2,055,881	\$26,023,095
Tap-In Fees	407,690	0	407,690
Other	15,787	101,524	117,311
Total Operating Revenues	24,390,691	2,157,405	26,548,096
<u>Operating Expenses</u>			
Personal Services	7,294,091	2,996	7,297,087
Contractual Services	13,432,835	13,247	13,446,082
Claims and Judgments	0	1,866,652	1,866,652
Materials and Supplies	364,610	221,354	585,964
Depreciation	1,668,330	333	1,668,663
Repairs and Maintenance	32,849	14,658	47,507
Intergovernmental	632,824	0	632,824
Total Operating Expenses	23,425,539	2,119,240	25,544,779
Operating Income	965,152	38,165	1,003,317
<u>Non-Operating Revenues (Expenses)</u>			
Investment in Joint Venture	935,979	0	935,979
Interest Income	435,255	0	435,255
Sale of Fixed Assets	1,955	0	1,955
Grants	40,000	0	40,000
Interest and Fiscal Charges	(730,125)	0	(730,125)
Other Non-Operating Revenues	11,025	0	11,025
Other Non-Operating Expenses	(903)	0	(903)
Capital Contribution	322,358	0	322,358
Total Non-Operating Revenues (Expenses)	1,015,544	0	1,015,544
Income Before Operating Transfers	1,980,696	38,165	2,018,861
Operating Transfers - In	791,803	0	791,803
Operating Transfers - Out	(485,890)	0	(485,890)
Net Income	2,286,609	38,165	2,324,774
Retained Earnings at Beginning of Year	30,181,147	252,846	30,433,993
Retained Earnings at End of Year	32,467,756	291,011	32,758,767
Contributed Capital at Beginning of Year	5,407,261	0	5,407,261
Contributed Capital at End of Year	5,407,261	0	5,407,261
Total Fund Equity at End of Year	\$37,875,017	\$291,011	\$38,166,028

See accompanying notes to the general purpose financial statements

City of Wadsworth, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001

	Enterprise	Internal Service	Totals
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$24,045,729	\$2,061,324	\$26,107,053
Cash Payments to Suppliers for Goods and Services	(13,883,704)	(267,416)	(14,151,120)
Cash Payments to Employees for Services	(7,207,733)	(2,996)	(7,210,729)
Cash Payments for Claims	(395,407)	(1,773,187)	(2,168,594)
Other Operating Revenues	47,761	0	47,761
Net Cash Provided by Operating Activities	<u>2,606,646</u>	<u>17,725</u>	<u>2,624,371</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Operating Transfers In	791,803	0	791,803
Operating Transfers Out	(485,890)	0	(485,890)
Advances to Other Funds	(2,450,220)	0	(2,450,220)
Advances Repaid from Other Funds	2,594,002	0	2,594,002
Proceeds of Internal Notes	3,885,160	0	3,885,160
Repayment of Internal Notes	(3,471,255)	0	(3,471,255)
Other Non-Operating Revenues	20,071	0	20,071
Other Operating Expenses	(903)	0	(903)
Interfund Payable	9,746	0	9,746
Net Cash Provided by Noncapital Financing Activities	<u>892,514</u>	<u>0</u>	<u>892,514</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(2,166,430)	(4,716)	(2,171,146)
Proceeds from Sale of Capital Assets	1,955	0	1,955
Principal Payments	(449,831)	0	(449,831)
Interest Payments	(761,783)	0	(761,783)
Net Cash (Used for) Capital and Related Financing Activities	<u>(3,376,089)</u>	<u>(4,716)</u>	<u>(3,380,805)</u>
<u>Cash Flows from Investing Activities</u>			
Interest on Investments	441,306	0	441,306
Net Cash Provided by Investing Activities	<u>441,306</u>	<u>0</u>	<u>441,306</u>
Net Increase in Cash and Cash Equivalents	564,377	13,009	577,386
Cash and Cash Equivalents at Beginning of Year	<u>2,579,648</u>	<u>182,108</u>	<u>2,761,756</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,144,025</u></u>	<u><u>\$195,117</u></u>	<u><u>\$3,339,142</u></u>
Reconciliation of Operating Income to Net <u>Cash Provided by Operating Activities</u>			
Operating Income	\$965,152	\$38,165	\$1,003,317
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	1,668,330	333	1,668,663
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(297,201)	(96,081)	(393,282)
(Increase)/Decrease in Prepaid Items	9,716	0	9,716
(Increase)/Decrease in Materials and Supplies Inventory	(166,059)	(304)	(166,363)
Increase/(Decrease) in Accounts Payable	(353,086)	(17,853)	(370,939)
Increase/(Decrease) in Accrued Wages and Benefits	36,249	0	36,249
Increase/(Decrease) in Compensated Absences Payable	732,879	0	732,879
Increase/(Decrease) in Intergovernmental Payables	10,666	0	10,666
Increase/(Decrease) in Claims	0	93,465	93,465
Total Adjustments	<u>1,641,494</u>	<u>(20,440)</u>	<u>1,621,054</u>
Net Cash Provided by Operating Activities	<u><u>\$2,606,646</u></u>	<u><u>\$17,725</u></u>	<u><u>\$2,624,371</u></u>
<u>Non-Cash Investing, Capital and Financing Activities:</u>			
Net (Decrease) in Fair Value of Investments	(\$44,088)	\$0	(\$44,088)
Capital Assets Contributed by Developers	322,358	0	322,358
Total Non-Cash Investing, Capital and Financing Activities	<u><u>\$278,270</u></u>	<u><u>\$0</u></u>	<u><u>\$278,270</u></u>

See accompanying notes to the general purpose financial statements

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CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

The City of Wadsworth, Ohio, (the City) was incorporated in 1866 under the laws of the State of Ohio. The City operates under the Mayor-Council form of government.

For financial reporting purposes, the City's general purpose financial statements include all funds, account groups, agencies, boards, commissions and departments for which the City is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board (GASB)'s Statement No. 14, "The Financial Reporting Entity", exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's general purpose financial statements to be misleading or incomplete.

The City provides various services and consists of many different activities and smaller accounting entities. These include police and fire-fighting forces, emergency medical services, sewage and water treatment plants, an electric utility, a cable utility, a street maintenance department, a parks and recreation system, a community access television program, a trash collection service, an airport, planning and zoning, and a staff to provide the necessary support for these services. The City also includes a municipal court with a jurisdiction extending beyond the boundaries of the City. These service departments and the Wadsworth Municipal Court are included as part of the primary reporting entity.

The City is associated with the Ohio Municipal Electric Generation Agency Joint Venture 1, 2 and 5 and the Woodlawn Union Cemetery, both of which are joint ventures. The City is also associated with the Municipal Energy Services Agency which is defined as a jointly governed organization. These organizations are presented in Notes 23 and 24.

B. Basis of Presentation - Fund Accounting

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

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

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

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is then divided into various fund types. The following are the fund types and account groups utilized by the City:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in proprietary and fiduciary funds, are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

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

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

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

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

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the City's fiduciary fund type:

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these general purpose financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activity provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus and Basis of Accounting

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

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

The modified accrual basis of accounting is used for reporting purposes by all governmental fund types and agency funds. Under this basis of accounting, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is considered to be 60 days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: municipal income taxes, earnings on investments, federal and state grants, and charges for current services. Major revenue sources not susceptible to accrual include licenses and permits and fines and forfeitures, which are not considered measurable until received.

The City reports deferred revenue on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Property taxes measurable as of December 31, 2001, and delinquent property taxes, whose availability is indeterminable and which are not intended to finance the current year operations, have also been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than on expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Annual Appropriation Measure, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Annual Appropriation Measure are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level. Budgetary modifications may only be made by resolution of the City Council.

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Measure. On or about January 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be amended further during the year if it is determined by the City, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2001.

Appropriations:

A temporary appropriation measure to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. The Annual Appropriation Measure must be passed by April 1 of each year for the period January 1 to December 31. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriations at any level of control. Any revisions that alter the appropriations among object levels within a fund must first be approved by City Council. Council may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by City Council throughout the year by supplemental appropriations which either reallocate, increase or decrease the original appropriated amounts. During the year, supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and 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. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object level within each program and department. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and are reported in the notes to the general purpose financial statements for proprietary funds.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

C. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the Combined Balance Sheet.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. The following funds received more interest earnings during the year 2001 than they would have received based on their average share of investments:

<u>Fund</u>	<u>Actual Interest Credited</u>	<u>Amount Assigned From Other City Funds</u>
General Fund	\$156,938	\$43,962
Special Revenue:		
Street	31,620	4,745
EMS	45,571	6,492
Cable Television	22,218	14,906
Motor Vehicle Permissive Tax	16,598	4,227
State Highway	4,186	553
Revolving Loan	4,135	755
Enterprise:		
Sewer	58,960	33,011
Electric	324,607	250,823
Sanitation	34,750	7,730

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has segregated bank accounts for monies held separate from the City's central bank accounts. These depository accounts are presented on the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City treasury.

The City utilizes fiscal agents to hold retainage on construction contracts. The balance in this account is presented on the Combined Balance Sheet as "Cash with Fiscal and Escrow Agents" and represents deposits.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Restricted Assets

Restricted assets in the agency funds represent customer utility deposits set aside in a separate depository account. A corresponding liability has been recorded on the Combined Balance Sheet as restricted refundable deposits in the agency funds.

E. Inventory of Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment, and an expenditure/expense is reported in the year in which services are consumed.

G. Interfund Assets and Liabilities

Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables/Payables."

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term interfund loans are reported as “Advances To/From Other Funds” and are equally offset by a fund balance reserve account which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets.

H. Property, Plant, Equipment and Depreciation

General Fixed Assets Account Group

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Donated fixed assets are capitalized at estimated fair value on the date donated.

Assets in the general fixed assets account group are not depreciated. The City increased its capitalization threshold from \$1,000 to \$5,000 for 2001.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized or reported, as these assets are immovable and of value only to the City.

Proprietary Fund Fixed Assets

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25 to 50 years
Street Lighting	25 years
Substations, Metering and Transformers	25 to 40 years
Equipment	2 to 50 years
Vehicles	8 to 30 years
Underground and Overhead Construction	40 to 75 years
Fiber Optic - In Service	40 years
Cable TV - Headend Costs	40 years

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation

The City's fixed asset values were determined using original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated.

I. Compensated Absences

Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", specifies the methods used to accrue liabilities for leave benefits. Vacation and personal leave 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 employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for 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 City's past experience of making termination payments.

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

J. Revenues – Exchange and Non-Exchange Transactions

Exchange transactions are those in which each party to a transaction gives and receives essentially something of equal value. Proprietary funds, where the full accrual basis of accounting is used, record revenue when the exchange takes place. Governmental funds, where the modified accrual basis of accounting is used, record revenue in the year in which the resources are both measurable and available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property and other local taxes, special assessments, fines and forfeitures, grants, entitlements and donations.

Municipal income taxes are recognized as revenue in the year when the underlying exchange transaction has occurred and the resources are both measurable and available.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally, property and other local taxes, special assessments and fines and forfeitures are recognized as revenue in the year when an enforceable legal claim has risen and the resources are both measurable and available. Revenue from property and other local taxes, net of refunds and uncollectible amounts, is recognized in the year for which the taxes are levied, even if the enforceable legal claim arises or the due date for payment occurs in a different year. Special assessments and fines and forfeitures are recognized in the year when an enforceable legal claim has risen unless the enabling legislation includes timing requirements. If the enabling legislation includes timing requirements, special assessments and fines and forfeitures are recognized in the year when the resources are required to be used or when use is first permitted.

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available resources. In general, payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds, special assessment debt, long-term past service costs, and long-term advances are reported as a liability of the general long-term obligations account group until due.

Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

L. Contributed Capital

Contributed capital is recorded in the proprietary funds for contributions from other funds. During 2001, there was no change in contributed capital.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Reserves of Fund Equity

The City records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory, advances to other funds, debt service principal payments and prepaid items.

N. Interfund Transactions

During the course of normal operations the City makes numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund except for the Internal Service Fund, which treats reimbursements as revenue.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the year 2001, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”. There was no effect on beginning fund balance as a result of implementing GASB Statement No. 33.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 4 – RESTATEMENT OF PRIOR YEAR FUND BALANCE

In 2001, the City of Wadsworth changed its fixed asset threshold from \$1,000 to \$5,000 and completed a City-wide fixed asset observation, in which they noted that material fixed assets had been omitted or included in the prior year’s fixed asset listing. The City is unable to determine the effect of these changes on the prior year’s Net Income/Loss.

The restatement to the beginning Retained Earnings on the GAAP basis is as follows:

	Enterprise Fund	Internal Service Fund
Retained Earnings as Previously Reported	\$28,276,664	\$284,237
Net Change	<u>1,904,483</u>	<u>(31,391)</u>
Retained Earnings as Restated December 31, 2000	<u>\$30,181,147</u>	<u>\$252,846</u>

See Note 13 to see the adjustments to the City’s general fixed assets resulting from the change in threshold and the fixed asset observation.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balances 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, appropriations, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

5. Advances are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$738,472	(\$534,243)	(\$8,546)	\$260,371
Net Adjustment for Revenue Accruals	635,024	282,494	1,345	666,373
Net Adjustment for Expenditure Accruals	(406,237)	(290,929)	0	(640,203)
Encumbrances	(459,030)	(305,066)	0	(191,554)
Budget Basis	<u>\$508,229</u>	<u>(\$847,744)</u>	<u>(\$7,201)</u>	<u>\$94,987</u>

NOTE 6 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficits:

The following funds had deficit fund balances/retained earnings caused by the recognition of expenditures/expenses and/or nonrecognition of revenues on the modified accrual basis of accounting and the accrual basis of accounting which substantially differ from those recognized on the cash basis of accounting:

Fund	Deficit Fund Balance
Capital Project Funds:	
Special Assessments	(\$68,419)
Community Development Block Grant	(7,087)
Telephone Equipment	(42,307)
Internal Service:	
Health Insurance Retention	(74,297)

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and
3. Obligations of the City.

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. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, 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.

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

Deposits - At year end, the carrying amount of the City's deposits was \$749,211 and the bank balance was \$1,099,362. Of the bank balance, \$305,293 was insured by federal depository insurance. \$794,069 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments - City investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or its agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

	Category 3	Fair Value
Overnight Repurchase Agreements	\$2,486,688	\$2,486,688
Federal Agency Securities	53,042	53,042
	<u>\$2,539,730</u>	
STAR Ohio		<u>10,904,400</u>
Total Investments		<u>\$13,444,130</u>

The classification of cash and cash equivalents and investments on the combined general purpose financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined general purpose financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$14,193,341	\$0
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(2,486,688)	2,486,688
Federal Agency Securities	(53,042)	53,042
STAR Ohio	<u>(10,904,400)</u>	<u>10,904,400</u>
GASB Statement No. 3	<u>\$749,211</u>	<u>\$13,444,130</u>

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, property and tangible personal property (used in business) located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 8 - PROPERTY TAXES (continued)

Public utility, real, and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31, of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 80 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, 2001, and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2001, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	Total Assessed Value	%
Real Property Valuation:		
Residential/Agriculture	\$229,112,300	69.49%
Commercial/Industrial/Mineral	53,426,600	16.20%
Public Utilities	5,450	0.00%
Tangible Personal Property Valuation:		
General	4,113,570	1.25%
Public Utilities	43,056,720	13.06%
Total Valuation	<u>\$329,714,640</u>	<u>100.00%</u>

NOTE 9 - INCOME TAX

The City levies and collects an income tax of 1.3% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit for the tax paid to another municipality to offset up to 1.0% of the total rate. Residents are required to remit the remaining .3% to the City's tax collection agency. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2001 received 60 days after year-end have been recognized as revenue in 2001.

Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 9 – INCOME TAX (continued)

Income tax revenues are distributed, as needed, to the various funds of the City pursuant to Council resolution. In 2001 income tax revenue was distributed to the following funds: General; Recreation; Street; Capital Improvement; and City Hall.

NOTE 10 - NOTES RECEIVABLE

In previous years, the City made development loans from their revolving loan fund. The amount of notes receivable at December 31, 2001 is as follows:

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
Revolving Loan Fund Rate 5%	\$37,871	\$0	(\$9,369)	\$28,502

NOTE 11 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, accrued interest, interfund, special assessments, accounts (which include billed and unbilled charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$152,564
Special Revenue Funds:	
Streets	34,987
EMS	7,403
Cable TV	45,664
Court Computerization	2,579
Municipal Court Improvements	5,380
DARE - Education	3,600
Motor Vehicle Permissive Tax	15,558
State Highway	2,837
Probation Services	2,039
Total Special Revenue	<u>120,047</u>

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 11 - RECEIVABLES (continued)

Capital Projects Fund	
Community Development Block Grant	<u>108,000</u>
Enterprise Fund:	
Streets	<u>40,000</u>
Agency Fund:	
Law Library	<u>2,928</u>
Total All Funds	<u><u>\$423,539</u></u>

NOTE 12 - SPECIAL ASSESSMENTS

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include the construction, repair or improvement of streets, sidewalks, waterlines and public parking lots which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

NOTE 13 - FIXED ASSETS

A summary of the changes in general fixed assets during 2001 follows:

	Balance		Restated Beginning Balance			Balance
	<u>01/01/2001</u>	<u>Adjustments</u>	<u>01/01/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2001</u>
Land	\$3,110,522	\$1,310,546	\$4,421,068	\$0	\$0	\$4,421,068
Buildings	6,175,623	211,725	6,387,348	0	0	6,387,348
Equipment	1,774,006	(288,291)	1,485,715	204,127	(60,094)	1,629,748
Vehicles	3,729,793	(547,026)	3,182,767	247,544	(81,542)	3,348,769
	<u>\$14,789,944</u>	<u>\$686,954</u>	<u>\$15,476,898</u>	<u>\$451,671</u>	<u>(\$141,636)</u>	<u>\$15,786,933</u>

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 13 - FIXED ASSETS (continued)

A summary of the proprietary funds' fixed assets at December 31, 2001 follows:

	Enterprise Funds	Internal Service Funds
Land and Improvements	\$482,260	\$0
Buildings	6,535,293	241,400
Equipment	1,360,193	43,638
Vehicles	3,194,496	31,253
Infrastructure	50,868,356	0
Infrastructure Work in Progress	714,863	0
Construction in Progress	8,353	0
	<u>63,163,814</u>	<u>316,291</u>
Less: Accumulated Depreciation	<u>(21,807,406)</u>	<u>(104,136)</u>
Net Fixed Assets	<u>\$41,356,408</u>	<u>\$212,155</u>

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System:

All employees of the City, with the exclusion of City police officers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and may be amended by Chapter 145 of the Ohio Revised Code. The PERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-7377.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension benefit obligations and the City is required to contribute 13.55%; 9.25% was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to PERS for the years ended December 31, 2001, 2000 and 1999 were \$804,407, \$874,914 and \$1,038,802, respectively, equal to the required contributions for each year.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund:

All City police officers are required to be members of the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by its Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established and may be amended by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available stand-alone financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers and 24% for firefighters; 12.00% and 16.75% were portions used to fund pension obligations respectively for police officers and firefighters. Contributions are authorized by State statute. The City's contributions for pension obligations to OP&F for the years ended December 31, 2001, 2000 and 1999 were \$276,543, \$279,523 and \$250,308, respectively, equal to the required contributions for each year.

NOTE 15 – POST EMPLOYMENT BENEFITS

A. Public Employees Retirement System:

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 15 – POST EMPLOYMENT BENEFITS (continued)

As of December 31, 2000 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The number of active contributing participants was 411,076 at December 31, 2000.

B. Ohio Police and Fire Pension Fund:

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.5% and 7.25% of covered payroll in 2001 and 2000, respectively. The allocation is 7.75% in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible statewide to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, was 12,833 for police officers and 10,037 for firefighters. The City's contribution to pay post employment benefits was \$106,363 during 2001. OP&F's total health care expense for the year ended December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 16 - OTHER EMPLOYER BENEFITS - COMPENSATED ABSENCES

City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee up to a maximum of 160 days. As of December 31, 2001, the City's liability for compensated absences was \$2,997,303.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the City has addressed these various types of risk.

The City has elected to provide employee medical, prescription and dental benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200 family and \$100 single deductible. A third party administrator, CoreSource, located in Westerville, Ohio, reviews all claims which are then paid by the City. The City purchases stop-loss coverage of \$100,000 per employee and \$2,144,382 in the aggregate. The City pays into the self-insurance internal service fund, \$9,253 family coverage per year for full-time employees. Individual coverage costs \$3,968 per year for full-time employees. The premium is paid by the fund that pays the salary for the employee. Dental coverage is also provided on a self-insured basis through CoreSource. Premiums for this coverage are included in the premiums listed above for family and single coverage.

The City also provides prescription drug insurance to its employees through a self-insured program. The plan pays the cost of prescriptions with the employee paying a co-payment of \$5.00 for generic drugs and \$8.00 for brand name drugs per prescription. The third party administrator, Paid Prescriptions, reviews the claims, which are then paid by the City. The premium for this coverage is included in the medical plan premium amounts stated above.

The claims liability of \$244,642 reported in the self-insurance internal service fund at December 31, 2001 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Services" which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2000	\$177,998	\$1,546,601	(\$1,573,422)	\$151,177
2001	\$151,177	\$1,866,652	(\$1,773,187)	\$244,642

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2001, consisted of the following issues:

	<u>Balance</u> 01/01/2001	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/2001
<u>ENTERPRISE FUNDS</u>				
Water Treatment Plant General Obligation Bonds; 8.875%, Due through 2003	\$500,000	\$0	(\$165,000)	\$335,000
OWDA Loan from Medina County 6.65%, Due through 2005	<u>1,103,949</u>	<u>0</u>	<u>(249,831)</u>	<u>854,118</u>
Total Enterprise Funds	<u><u>1,603,949</u></u>	<u><u>0</u></u>	<u><u>(414,831)</u></u>	<u><u>1,189,118</u></u>
<u>GENERAL LONG-TERM</u>				
<u>OBLIGATIONS ACCOUNT GROUP</u>				
City Hall Construction General Obligation Bonds; 8.00%, Due through 2009	2,790,000	0	(260,000)	2,530,000
Downtown Sidewalk Improvement Special Assessment Bonds 9.25%, Due through 2005	60,000	0	(12,000)	48,000
Liability for Police Past Service Cost 2.36%, Due through 2034	<u>105,069</u>	<u>0</u>	<u>(1,291)</u>	<u>103,778</u>
Total General Long-Term Debt	<u><u>2,955,069</u></u>	<u><u>0</u></u>	<u><u>(273,291)</u></u>	<u><u>2,681,778</u></u>

Outstanding general obligation bonds were issued to finance water treatment plant construction and renovation and city hall construction and improvements. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from water service charges for the water treatment bonds and from hotel/motel taxes, City income tax monies and utility service charges for the city hall construction bonds.

Special assessment bonds are those which have been issued to fund various improvements within the City. A portion of these costs have been passed along to the property owners benefiting from the improvements. Generally, the property owners have the choice of paying their assessed portion in one sum at the inception of the project or in installments over a period of years, with interest. The City, however, remains fully liable for any debt associated with delinquent property assessments.

The liability for police past service costs relates to the City's liability to certain employees incurred prior to the establishment of the statewide Ohio Police and Fire Pension Fund. The City is required to make payments of approximately \$6,200 annually, which includes interest, through the year 2034. These past service costs are payable from taxes levied on all taxable property in the City.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS (continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$44,819 for the water treatment plant general obligation bonds, \$579,712 for the city hall construction general obligation bonds and \$11,100 for the downtown sidewalk special assessment bonds, are as follows:

Year Ending December 31,	Water Treatment Plant General Obligation Bonds	City Hall Construction General Obligation Bonds	Downtown Sidewalk Special Assessment Bonds	Total
2002	\$194,731	\$390,167	\$16,440	\$601,338
2003	185,088	388,153	15,330	588,571
2004	0	390,412	14,220	404,632
2005	0	386,695	13,110	399,805
2006	0	387,360	0	387,360
Thereafter	0	1,166,925	0	1,166,925
Total	<u>\$379,819</u>	<u>\$3,109,712</u>	<u>\$59,100</u>	<u>\$3,548,631</u>

The City's enterprise fund notes activity, including amounts outstanding and interest rates, is as follows:

	Balance 01/01/2001	Additions	Reduction	Balance 12/31/2001
1998 American Municipal Power-Ohio, Inc. 3.35%, Due through 2018	\$3,750,000	\$0	\$0	\$3,750,000
1999 American Municipal Power-Ohio, Inc. 3.35%, Due through 2019	<u>3,810,000</u>	<u>0</u>	<u>(35,000)</u>	<u>3,775,000</u>
Total	<u>\$7,560,000</u>	<u>\$0</u>	<u>(\$35,000)</u>	<u>\$7,525,000</u>

Each of the notes is backed by the full faith and credit of the City of Wadsworth through promissory notes with American Municipal Power-Ohio, Inc. (AMP-Ohio). The notes liability is reflected in the fund, the electric enterprise fund, which received the proceeds. Each of the notes is a 20-year loan agreement with AMP-Ohio where AMP-Ohio lends the City the proceeds. Under the terms of these agreements, the City must repay the proceeds to AMP-Ohio with interest equal to the rate on electric system improvement bond anticipation notes, or on notes issued to refund the electric system improvement bond anticipation notes, or on electric system improvement bonds to be issued by AMP-Ohio. The City entered into this agreement with AMP-Ohio because AMP-Ohio was able to obtain lower interest rates than the City, and AMP-Ohio provides flexibility with the repayments of the loans, such as permitting the City to skip a principal repayment one year, if necessary, or permitting the City to make additional principal payments during a year. Because of the possibility of changing interest rates and the flexibility issue previously stated, the notes are not included in the schedule of future annual debt service requirements. The notes are payable from electric service charges.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - DEBT OBLIGATIONS (continued)

During the year ended December 31, 2001, the following changes occurred in liabilities reported in the general long-term obligations account group:

	Balance <u>01/01/2001</u>	Additions	Reductions	Balance <u>12/31/2001</u>
Compensated Absences	\$997,739	\$229,141	\$0	\$1,226,880
Police Past Service Cost	105,069	0	(1,291)	103,778
Advances from Other Funds	707,839	48,320	(83,237)	672,922
Special Assessment Debt	60,000	0	(12,000)	48,000
General Obligation Bonds	2,790,000	0	(260,000)	2,530,000
Intergovernmental Payable	2,055	28,537	(2,055)	28,537
Total	<u>\$4,662,702</u>	<u>\$305,998</u>	<u>(\$358,583)</u>	<u>\$4,610,117</u>

“Compensated Absences Payable” and “Intergovernmental Payable” will be paid from the fund from which the employee is paid.

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE

The City routinely issues bonds and notes for specific construction and development purposes which are subsequently purchased by other funds of the City. In conformance with generally accepted accounting principles as applied to governmental units, these transactions are reported as advances to other funds in the funds purchasing the debt and as advances from other funds in those issuing the debt.

Following is a detail of Internal Notes Receivable/Payable, by debt issue, during 2001:

	Balance <u>01/01/2001</u>	Additions	Retirements	Balance <u>12/31/2001</u>
SPECIAL REVENUE FUNDS:				
<u>Recreation</u>				
1996 Waterslide				
Issue: 04/00, Maturity 04/01, Rate 7.00%	\$27,500	\$0	(\$27,500)	\$0
1996 Waterslide				
Issue: 04/01, Maturity 04/02, Rate 4.00%	<u>0</u>	<u>20,625</u>	<u>0</u>	<u>20,625</u>
Total Recreation	<u>\$27,500</u>	<u>\$20,625</u>	<u>(\$27,500)</u>	<u>\$20,625</u>
<u>Street</u>				
1997 Salt Shed				
Issue: 11/00, Maturity 11/01, Rate 7.00%	\$59,375	\$0	(\$59,375)	\$0

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
1997 Salt Shed				
Issue: 11/01, Maturity 11/02, Rate 4.00%	<u>0</u>	<u>47,510</u>	<u>0</u>	<u>47,510</u>
Total Street	<u>\$59,375</u>	<u>\$47,510</u>	<u>(\$59,375)</u>	<u>\$47,510</u>
TOTAL SPECIAL REVENUE FUNDS	<u>\$86,875</u>	<u>\$68,135</u>	<u>(\$86,875)</u>	<u>\$68,135</u>
CAPITAL PROJECTS FUNDS:				
<u>Telephone Equipment</u>				
1995 Telephone Equipment				
Issue: 03/00, Maturity 03/01, Rate 7.00%	\$57,375	\$0	(\$57,375)	\$0
1995 Telephone Equipment				
Issue: 03/01, Maturity 03/02, Rate 4.00%	<u>0</u>	<u>37,692</u>	<u>0</u>	<u>37,692</u>
Total Telephone Equipment	<u>\$57,375</u>	<u>\$37,692</u>	<u>(\$57,375)</u>	<u>\$37,692</u>
<u>Airport Improvements</u>				
1992 Airport Fuel Storage Tanks				
Issue: 12/00, Maturity 12/01, Rate 7.00%	<u>\$45,076</u>	<u>\$0</u>	<u>(\$45,076)</u>	<u>\$0</u>
Total Airport Improvements	<u>\$45,076</u>	<u>\$0</u>	<u>(\$45,076)</u>	<u>\$0</u>
<u>Special Assessments</u>				
1993 Durling Drive Improvements				
Issue: 07/00, Maturity 07/01, Rate 7.00%	\$55,000	\$0	(\$55,000)	\$0
1993 Durling Drive Improvements				
Issue: 07/01, Maturity 07/02, Rate 4.00%	0	27,000	0	27,000
2000 Street Improvements				
Issue: 10/00, Maturity 10/01, Rate 5.50%	51,500	0	(51,500)	0
1999 Sidewalk Improvements				
Issue: 09/00, Maturity 09/01, Rate 7.00%	24,000	0	(24,000)	0
2000 Southeast Parking Lot				
Issue: 10/00, Maturity 10/01, Rate 5.50%	38,000	0	(38,000)	0

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
2001 Street Improvements				
Issue: 09/01, Maturity 09/02, Rate 6.00%	<u>0</u>	<u>36,000</u>	<u>0</u>	<u>36,000</u>
Total Telephone Equipment	<u>\$168,500</u>	<u>\$63,000</u>	<u>(\$168,500)</u>	<u>\$63,000</u>
TOTAL CAPITAL PROJECTS FUNDS	<u>\$270,951</u>	<u>\$100,692</u>	<u>(\$270,951)</u>	<u>\$100,692</u>

ENTERPRISE FUNDS:

Electric

1996 Electric Substation Expansion

Issue: 11/00, Maturity 11/01, Rate 7.00% \$314,130 \$0 (\$314,130) \$0

1996 Electric Substation Expansion

Issue: 11/01, Maturity 11/02, Rate 4.00% 0 251,195 0 251,195

1994 Electric Service Building

Issue: 12/00, Maturity 12/01, Rate 7.00% 257,220 0 (257,220) 0

1994 Electric Service Building

Issue: 12/01, Maturity 12/02, Rate 4.00% 0 243,885 0 243,885

1996 Cable TV Headend

Issue: 03/00, Maturity 03/01, Rate 7.00% 543,300 0 (543,300) 0

1996 Cable TV Headend

Issue: 03/01, Maturity 03/02, Rate 4.00% 0 452,750 0 452,750

1995 Broadband Communications

Issue: 09/00, Maturity 09/01, Rate 7.00% 342,500 0 (342,500) 0

1995 Broadband Communications System

Issue: 09/01, Maturity 09/02, Rate 4.00% 0 257,975 0 257,975

1997 Electric Storage Building

Issue: 10/00, Maturity 10/01, Rate 7.00% 173,880 0 (173,880) 0

1997 Electric Storage Building

Issue: 10/01, Maturity 10/02, Rate 4.00% 0 149,040 0 149,040

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
1997 Electric Substation Issue: 10/00, Maturity 10/01, Rate 7.00%	339,750	0	(339,750)	0
1997 Electric Substation Issue: 10/01, Maturity 10/02, Rate 4.00%	0	283,125	0	283,125
1997 Broadband Communications Issue: 10/00, Maturity 10/01, Rate 7.00%	350,000	0	(350,000)	0
1997 Broadband Communications Issue: 10/01, Maturity 10/02, Rate 4.00%	0	240,000	0	240,000
1998 Broadband Communications Issue: 09/00, Maturity 09/01, Rate 7.00%	268,160	0	(268,160)	0
1998 Broadband Communications Issue: 09/01, Maturity 09/02, Rate 4.00%	0	243,020	0	243,020
1999 Broadband Communications Issue: 09/00, Maturity 09/01, Rate 7.00%	304,200	0	(304,200)	0
1999 Broadband Communications Issue: 09/01, Maturity 09/02, Rate 4.00%	0	243,360	0	243,360
2000 Broadband Communications Issue: 09/00, Maturity 09/01, Rate 7.00%	384,000	0	(384,000)	0
2000 Broadband Communications Issue: 09/01, Maturity 09/02, Rate 4.00%	0	345,600	0	345,600
2001 Electric Building Addition Issue: 11/01, Maturity 11/02, Rate 4.00%	0	130,000	0	130,000
2001 Broadband Communications Issue: 11/01, Maturity 11/02, Rate 4.00%	0	425,000	0	425,000
Total Electric	<u>\$3,277,140</u>	<u>\$3,264,950</u>	<u>(\$3,277,140)</u>	<u>\$3,264,950</u>

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
<u>Water</u>				
1994 Water Treatment and Supply Study Issue: 12/00, Maturity 12/01, Rate 7.00%	\$26,000	\$0	(\$26,000)	\$0
1994 Water Treatment and Supply Study Issue: 12/01, Maturity 12/02, Rate 4.00%	0	16,000	0	16,000
1993 Akron Road Waterline Issue: 12/00, Maturity 12/01, Rate 7.00%	6,500	0	(6,500)	0
1997 Bird Street Tank Painting Issue: 10/00, Maturity 10/01, Rate 7.00%	29,375	0	(29,375)	0
1997 Bird Street Tank Painting Issue: 10/01, Maturity 10/02, Rate 4.00%	0	23,500	0	23,500
1997 Development of Water Wells Issue: 09/00, Maturity 09/01, Rate 7.00%	132,240	0	(132,240)	0
1997 Development of Water Wells Issue: 09/01, Maturity 09/02, Rate 4.00%	0	115,710	0	115,710
2001 Lagoon Restoration Issue: 11/01, Maturity 11/02, Rate 4.00%	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
Total Water	<u>\$194,115</u>	<u>\$305,210</u>	<u>(\$194,115)</u>	<u>\$305,210</u>
<u>Sanitation</u>				
2001 Sanitation Equipment Acquisition Issue: 10/01, Maturity 10/02, Rate 6.00%	<u>\$0</u>	<u>\$315,000</u>	<u>\$0</u>	<u>\$315,000</u>
Total Airport Improvements	<u>\$0</u>	<u>\$315,000</u>	<u>\$0</u>	<u>\$315,000</u>
TOTAL ENTERPRISE FUNDS	<u>\$3,471,255</u>	<u>\$3,885,160</u>	<u>(\$3,471,255)</u>	<u>\$3,885,160</u>

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
GENERAL LONG-TERM OBLIGATIONS				
ACCOUNT GROUP:				
1987 West Street Paving Issue: 08/88, Maturity 08/03, Rate 7.50%	27,780	0	(8,599)	19,181
1993 Great Oaks Extension Issue: 09/94, Maturity 09/14, Rate 8.00%	234,815	0	(10,413)	224,402
Grandview Improvement Issue: 09/91, Maturity 09/06, Rate 7.00%	64,289	0	(8,988)	55,301
Second and Wood Improvements Issue: 09/89, Maturity 09/04, Rate 8.00%	17,479	0	(3,878)	13,601
State Street Waterline Issue: 09/91, Maturity 09/01, Rate 7.00%	1,115	0	(1,115)	0
S.W. Parking Lot Issue: 05/92, Maturity 05/02, Rate 6.00%	9,853	0	(4,783)	5,070
Waverly Improvement Issue: 04/90, Maturity 04/05, Rate 8.00%	34,373	0	(5,857)	28,516
Westwood Improvement Issue: 09/90, Maturity 09/05, Rate 8.00%	31,706	0	(5,404)	26,302
Wilson Road Waterline Issue: 08/88, Maturity 08/03, Rate 7.50%	3,077	0	(952)	2,125
1994 Seville Road Sanitary Sewer Issue: 07/94, Maturity 07/09, Rate 7.00%	4,974	0	(415)	4,559
Archwood Waterline Issue: 09/90, Maturity 09/05, Rate 8.00%	8,671	0	(1,478)	7,193
1995 Street Improvement Issue: 07/96, Maturity 07/01, Rate 6.00%	1,437	0	(1,437)	0

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> <u>01/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2001</u>
1996 Street Improvement Issue: 07/97, Maturity 07/02, Rate 6.50%	4,009	0	(1,942)	2,067
1996 Sidewalk Improvement Issue: 07/97, Maturity 07/02, Rate 6.50%	7,409	0	(3,588)	3,821
1997 Rittman Road Waterline Issue: 07/97, Maturity 07/12, Rate 6.50%	22,324	0	(1,285)	21,039
1997 Street Improvement Issue: 06/98, Maturity 06/03, Rate 6.00%	11,550	0	(3,628)	7,922
1997 Sidewalk Improvement Issue: 10/98, Maturity 10/03, Rate 6.00%	3,268	0	(1,026)	2,242
1998 Silvercrest Waterline Issue: 10/98, Maturity 10/13, Rate 6.00%	57,965	0	(3,070)	54,895
1998 Silvercrest Sewer Issue: 08/99, Maturity 08/14, Rate 6.00%	68,671	0	(3,267)	65,404
1999 Mechanic Street Issue: 08/99, Maturity 08/09, Rate 6.00%	52,104	0	(4,534)	47,570
1998 College Street Sidewalk Issue: 08/99, Maturity 08/04, Rate 6.00%	9,699	0	(2,217)	7,482
1998 Sidewalk Improvement Issue: 08/99, Maturity 08/04, Rate 6.00%	7,386	0	(1,688)	5,698
1998 Street Program Issue: 08/99, Maturity 08/04, Rate 6.00%	4,236	0	(968)	3,268
2000 Grace Drive Sanitary Sewer Issue: 09/00, Maturity 09/15, Rate 8.00%	5,572	0	(208)	5,364
1999 Street Program Issue: 08/00, Maturity 08/05, Rate 6.00%	14,077	0	(2,497)	11,580

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

	<u>Balance</u> 01/01/2001	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/2001
1999 Sidewalk Program Issue: 08/01, Maturity 08/06, Rate 6.00%	0	8,080	0	8,080
2000 Street Improvement Issue: 08/01, Maturity 08/06, Rate 6.00%	0	9,587	0	9,587
Southeast Downtown Parking Lot Improvement Issue: 08/01, Maturity 08/11, Rate 6.00%	0	26,778	0	26,778
2000 Sidewalk Improvement Issue: 08/01, Maturity 08/06, Rate 6.00%	<u>0</u>	<u>3,875</u>	<u>0</u>	<u>3,875</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	<u>\$707,839</u>	<u>\$48,320</u>	<u>(\$83,237)</u>	<u>\$672,922</u>
TOTAL ALL FUNDS AND ACCOUNT GROUPS	<u>\$4,536,920</u>	<u>\$4,102,307</u>	<u>(\$3,912,318)</u>	<u>\$4,726,909</u>

Following is a summary of advances, by fund, outstanding at December 31, 2001:

<u>Fund</u>	<u>Advances To</u>	<u>Advances From</u>
General	\$939,996	\$0
Special Revenue:		
Income Tax	691,891	0
EMS	0	20,625
Street	163,816	47,510
Motor Vehicle License	89,790	
State Highway	19,641	
Ambulance and EMS Division	248,094	
Cable Television	123,461	
Total Special Revenue	<u>1,336,693</u>	<u>68,135</u>
Capital Projects:		
Telephone Equipment	0	37,692
Special Assessments	0	63,000
Total Capital Projects	<u>0</u>	<u>100,692</u>

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 19 – INTERNAL NOTES RECEIVABLE/PAYABLE (continued)

Enterprise:		
Electric	1,683,556	3,264,950
Sewer	280,593	0
Water	295,268	305,210
Sanitation	<u>190,803</u>	<u>315,000</u>
Total Enterprise	<u>2,450,220</u>	<u>3,885,160</u>
General Long-Term Obligations Account Group	<u>0</u>	<u>672,922</u>
Total	<u><u>\$4,726,909</u></u>	<u><u>\$4,726,909</u></u>

NOTE 20 - INTERFUND TRANSACTIONS

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of December 31, 2001 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$156,746	\$0
Capital Projects Funds		
Community Development Block Grant	<u>0</u>	<u>147,000</u>
Enterprise Funds		
Sanitation	<u>0</u>	<u>9,746</u>
Total All Funds	<u><u>\$156,746</u></u>	<u><u>\$156,746</u></u>

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 21 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The government maintains four enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. Financial information, as of and for the year ended December 31, 2001, is as follows:

	Electric	Sewer	Water	Sanitation	Totals
Operating Revenue	\$19,242,473	\$1,913,606	\$1,798,933	\$1,435,679	\$24,390,691
Operating Expenses Before Depreciation	17,346,695	1,381,574	1,737,333	1,291,607	21,757,209
Depreciation Expense	1,166,270	233,268	227,309	41,483	1,668,330
Net Non-Operating Revenues	660,705	44,084	236,005	74,750	1,015,544
Net Operating Transfers - In (Out)	384,838	(27,625)	(30,465)	(20,835)	305,913
Net Income	1,775,051	315,223	39,831	156,504	2,286,609
Property, Plant and Equipment Additions	2,488,788	55,441	414,971	0	2,959,200
Net Working Capital	(4,143,039)	(180,767)	492,420	807,285	(3,024,101)
Total Assets	29,365,444	11,815,450	11,212,254	1,517,684	53,910,832
Long-Term Liabilities	3,264,950	0	640,210	315,000	4,220,160
Total Equity	16,079,263	10,611,382	10,173,258	1,011,114	37,875,017
Encumbrances at December 31, 2001	\$437,445	\$52,181	\$174,534	\$679,174	\$1,343,334

NOTE 22 - RELATED ORGANIZATIONS

On August 31, 2000, the Airmen's Association ceased operation of the Wadsworth Municipal Airport. On February 20, 2001, the City authorized a payment of \$1,760 to the Airmen's Association for the cost of the fuel remaining in the tank less the fuel storage charge owed to the City.

On June 30, 2001 the City granted and established a franchise to Wadsworth Airport Management Corporation for a period of five years for the operation and maintenance of the Wadsworth Municipal Airport. The City of Wadsworth pays two thousand five hundred dollars per month to the Wadsworth Airport Management Corporation and pays for liability insurance not to exceed six thousand dollars per year. Wadsworth Airport Management Corporation agrees to pay the City of Wadsworth ten cents per gallon of aviation fuel sold.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 23 - JOINT VENTURES

OMEGA JV 1, OMEGA JV 2 and OMEGA JV 5

The City's electric enterprise fund has entered into an ongoing joint venture agreement with other Ohio municipal electric systems to form the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2 and 5 (OMEGA JV 1, OMEGA JV 2 and OMEGA JV 5) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1, title to the thirty-seven generating units in OMEGA JV 2 and title to the hydroelectric project in OMEGA JV 5 located at the existing Belleville Lock was transferred to the municipal electrical systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia and Pennsylvania that own and operate electric systems. Each participant has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The City's equity interest in JV 1, JV 2 and JV 5 is reported in the City's electric enterprise fund. The City's undivided ownership of OMEGA JV1, OMEGA JV 2 and OMEGA JV5 is 11.24, 5.81 and 5.62 percent, respectively. The City's equity interest was \$47,213, \$717,171 and \$448,270 for JV 1, JV 2 and JV 5, respectively, at December 31, 2001. The following is a summary of unaudited financial information of OMEGA JV 1, OMEGA JV 2 and OMEGA JV 5 for the year ended December 31, 2001:

	OMEGA JV 1	OMEGA JV 2	OMEGA JV 5
Total Assets	\$442,797	\$57,576,551	\$205,310,795
Total Liabilities	22,756	45,232,814	197,334,459
Participants Equity	420,041	12,343,737	7,976,336
Total Revenues	153,725	2,128,010	23,673,651
Total Expenses	209,326	5,916,716	20,182,526
Excess (Deficiency) Income			
Over (Under) Expenses	(55,601)	(3,788,706)	3,491,125

Additional financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. OMEGA JV1, OMEGA JV 2 and OMEGA JV5 are not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 23 - JOINT VENTURES (continued)

Woodlawn Union Cemetery

The City is a participant along with Wadsworth Township in a joint venture to establish and manage the Woodlawn Union Cemetery. This establishment is allowable under Ohio Revised Code Section 759.27. This joint venture is considered a separate reporting entity by the City and has not been included in these general purpose financial statements. Complete financial statements for the Woodlawn Cemetery can be obtained from the Secretary-Treasurer of the Cemetery. Audited financial information for the Cemetery for the year ended December 31, 2001 was as follows:

Total Receipts	\$173,904
Total Disbursements	<u>(165,971)</u>
Excess Receipts over Disbursements	<u>\$7,933</u>

The Cemetery has no outstanding debt.

NOTE 24 - JOINTLY GOVERNED ORGANIZATION

Municipal Energy Services Agency (MESA)

The Municipal Energy Services Agency (MESA) is a jointly governed organization among the City and 30 other municipal electric systems. MESA was formed to provide access to a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems. The continued existence of MESA is not dependent on the City's continued participation and the City does not have an equity interest in or financial responsibility for MESA. MESA has no outstanding debt.

NOTE 25 - CONTINGENT LIABILITIES

Several claims and lawsuits are pending against the City. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on these general purpose financial statements.

Also, the City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, City management believes such disallowances, if any, will not be significant.

CITY OF WADSWORTH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 26 – SUBSEQUENT EVENTS

On March 1, 2002, the City of Wadsworth and American Municipal Power-Ohio, Inc. (AMP-Ohio) amended and restated a loan agreement. In accordance with the agreement, AMP-Ohio issued \$11,645,000 of bonds and will loan the proceeds received from the bonds to the City. The loan proceeds will be used to:

1. Permanently finance the 1998 and 1999 electric projects
2. Permanently finance certain other improvements to its electric system (which improvements were previously internally financed by the City), consisting of the construction, installation and equipping of expansions to its electric substations and addition to its electric storage building and installation and equipping of broadband communications facilities
3. Provide funds for additional improvements to the telecommunications portion of its electric system.

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**CITY OF WADSWORTH
MEDINA COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through or Grantor's Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct				
Partnership and Community Policing Grants	16.710	1995CFWX3285	\$37,917	\$37,500
Bulletproof Vest Partnership Program	16.607	346002961W 01008079	1,080	1,080
Total U.S. Department of Justice			<u>38,997</u>	<u>38,580</u>
<u>U.S. DEPARTMENT OF THE TREASURY, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS</u>				
Direct				
Gang Resistance Education and Training	21.053		13,998	22,726
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENTS</u>				
Passed through Ohio Department of Development				
Community Development Block Grant/ State's Program	14.228	AF-99-193-1 AF-00-193-1 AC-99-193-1 AC-01-193-1	74,700 51,304	 60,873 35,171 4,310
Total Community Development Block Grant			<u>126,004</u>	<u>100,354</u>
Home Improvement Partnerships Program/State's Program	14.239	AC-99-193-2	361,893	400,666
Total U.S. Department of Housing and Urban Development			<u>487,897</u>	<u>501,020</u>
TOTALS			<u><u>\$540,892</u></u>	<u><u>\$562,326</u></u>

See Notes to the Schedule of Receipts and Expenditures of Federal Awards

**CITY OF WADSWORTH
MEDINA COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses in order to create jobs for persons from low-moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The initial loan amount is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.



**Auditor of State
Betty Montgomery**

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

City of Wadsworth
Medina County
120 Maple Street
Wadsworth, Ohio 44281

We have audited the general purpose financial statements of the City of Wadsworth, Medina County, Ohio, (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 29, 2003, in which we noted the City restated its fixed assets and adopted Governmental Accounting Standards No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated May 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 29, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
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This report is intended for the information and use of the management, City Council, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 29, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Wadsworth
Medina County
120 Maple Street
Wadsworth, Ohio 44281

Compliance

We have audited the compliance of the City of Wadsworth, Medina County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that is applicable to its major federal program for the year ended December 31, 2001. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City'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 the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the City 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 the City's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the City Council, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 29, 2003

**CITY OF WADSWORTH
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Home Improvement Partnerships Program, CFDA #14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

CITY OF WADSWORTH
MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <i>Explain:</i>
2000-20952-001	Uniform fixed asset accounting procedures have not been established	Yes	



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF WADSWORTH

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
AUGUST 5, 2003**