



**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, 2002, 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 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2004 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.

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

April 17, 2004

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**City of Wadsworth, Ohio  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$2,632,245	\$4,737,475	\$639,853	\$2,391,133
Cash and Cash Equivalents in Segregated Accounts	12,976	0	0	0
Cash with Fiscal and Escrow Agents	0	0	69,706	0
Receivables:				
Taxes	931,508	1,721,132	0	423,215
Accounts	42,257	237,066	295	0
Interfund	277,839	0	0	0
Special Assessments	0	0	867,531	0
Accrued Interest	39,082	0	0	0
Intergovernmental	55,448	111,204	0	574,791
Materials and Supplies Inventory	0	95,358	0	0
Notes Receivable	0	19,537	0	0
Prepaid Items	47,411	13,510	0	862
Unamortized Bond Issue Costs	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash	0	0	0	0
Interfund Notes Receivable	563,796	286,295	0	0
Investment in Joint Venture	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
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
<b>Total Assets and Other Debits</b>	<b>\$4,602,562</b>	<b>\$7,221,577</b>	<b>\$1,577,385</b>	<b>\$3,390,001</b>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$63,555	\$73,406	\$0	\$193,104
Interfund Payable	0	0	0	277,839
Accrued Wages and Benefits	62,072	48,852	0	0
Compensated Absences Payable	37,196	11,000	0	0
Retainage Payable	0	0	0	0
Intergovernmental Payables	204,673	109,036	0	240
Deferred Revenue	787,376	846,585	867,531	899,539
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	69,706	0
Accrued Interest Payable	0	509	0	518
Notes Payable	0	0	0	0
Unamortized Premiums on Bonds	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	49,375	0	64,999
Police and Fire Past Service Cost	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<b>Total Liabilities</b>	<b>1,154,872</b>	<b>1,138,763</b>	<b>937,237</b>	<b>1,436,239</b>
<b>Fund Equity and Other Credits</b>				
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	454,333	231,735	0	412,756
Reserved for Inventory	0	95,358	0	0
Reserved for Prepaid Items	47,411	13,510	0	862
Reserved for Debt Service	0	0	640,148	0
Reserved for Interfund Notes Receivable	563,796	286,295	0	0
Unreserved:				
Undesignated	2,382,150	5,455,916	0	1,540,144
<b>Total Fund Equity and Other Credits</b>	<b>3,447,690</b>	<b>6,082,814</b>	<b>640,148</b>	<b>1,953,762</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$4,602,562</b>	<b>\$7,221,577</b>	<b>\$1,577,385</b>	<b>\$3,390,001</b>

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)
\$4,684,979	\$203,032	\$96,781	\$0	\$0	\$15,385,498
0	0	730,233	0	0	743,209
1,033,314	0	0	0	0	1,103,020
0	0	0	0	0	3,075,855
3,634,078	946	0	0	0	3,914,642
0	0	0	0	0	277,839
0	0	0	0	0	867,531
0	0	0	0	0	39,082
1,404	0	0	0	0	742,847
556,865	25,611	0	0	0	677,834
0	0	0	0	0	19,537
40,370	0	0	0	0	102,153
217,582	0	0	0	0	217,582
0	0	266,515	0	0	266,515
1,153,250	0	0	0	0	2,003,341
2,148,633	0	0	0	0	2,148,633
45,009,405	200,130	0	17,255,927	0	62,465,462
0	0	0	0	5,887	5,887
0	0	0	0	634,261	634,261
0	0	0	0	3,523,664	3,523,664
0	0	0	0	3,015	3,015
<u>\$58,479,880</u>	<u>\$429,719</u>	<u>\$1,093,529</u>	<u>\$17,255,927</u>	<u>\$4,166,827</u>	<u>\$98,217,407</u>
\$1,450,047	\$5,283	\$0	\$0	\$0	\$1,785,395
0	0	0	0	0	277,839
135,231	0	0	0	0	246,155
2,269,365	0	0	0	1,149,614	3,467,175
0	0	700,088	0	0	700,088
270,046	0	0	0	23,700	607,695
0	0	0	0	0	3,401,031
0	0	126,926	0	0	126,926
87,437	0	0	0	0	157,143
198,489	0	0	0	0	199,516
587,855	0	0	0	0	587,855
67,881	0	0	0	0	67,881
0	230,173	0	0	0	230,173
0	0	266,515	0	0	266,515
1,293,880	0	0	0	595,087	2,003,341
0	0	0	0	102,426	102,426
170,000	0	0	0	2,260,000	2,430,000
11,312,000	0	0	0	0	11,312,000
0	0	0	0	36,000	36,000
<u>17,842,231</u>	<u>235,456</u>	<u>1,093,529</u>	<u>0</u>	<u>4,166,827</u>	<u>28,005,154</u>
0	0	0	17,255,927	0	17,255,927
5,407,261	0	0	0	0	5,407,261
35,230,388	194,263	0	0	0	35,424,651
0	0	0	0	0	1,098,824
0	0	0	0	0	95,358
0	0	0	0	0	61,783
0	0	0	0	0	640,148
0	0	0	0	0	850,091
0	0	0	0	0	9,378,210
<u>40,637,649</u>	<u>194,263</u>	<u>0</u>	<u>17,255,927</u>	<u>0</u>	<u>70,212,253</u>
<u>\$58,479,880</u>	<u>\$429,719</u>	<u>\$1,093,529</u>	<u>\$17,255,927</u>	<u>\$4,166,827</u>	<u>\$98,217,407</u>

**City of Wadsworth, Ohio**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues</b>				
Municipal Income Tax	\$0	\$4,996,671	\$0	\$0
Property and Other Taxes	666,115	633,599	0	309,527
Charges for Services	39,102	589,598	0	4,042
Licenses and Permits	99,507	90,844	0	144,955
Fines and Forfeitures	347,688	207,917	0	0
Intergovernmental	2,397,634	1,073,613	0	564,141
Special Assessments	0	0	171,163	37,078
Investment Income	88,478	76,564	6,271	3,095
Other	91,995	17,496	0	56,496
<b>Total Revenues</b>	<b>3,730,519</b>	<b>7,686,302</b>	<b>177,434</b>	<b>1,119,334</b>
<b>Expenditures</b>				
Current:				
General Government	1,780,642	343,246	4,000	185,148
Security of Persons and Property	3,626,367	881,258	0	0
Public Health and Welfare	60,313	0	0	0
Transportation	398	1,547,551	0	0
Community Environment	201,389	265	0	56,670
Leisure Time Activities	740,370	1,074,246	0	9,744
Economic Development and Assistance	0	92	0	126,610
Capital Outlay	289,865	154,863	0	1,501,137
Debt Service:				
Internal Notes	0	0	92,092	0
Principal Retirement	1,544	0	12,000	270,000
Interest and Fiscal Charges	4,695	2,495	49,732	119,934
<b>Total Expenditures</b>	<b>6,705,583</b>	<b>4,004,016</b>	<b>157,824</b>	<b>2,269,243</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,975,064)	3,682,286	19,610	(1,149,909)
<b>Other Financing Sources (Uses)</b>				
Proceeds of Internal Bonds	0	0	0	14,257
Sale of Fixed Assets	0	727	0	0
Operating Transfers - In	3,945,850	1,711,500	0	856,983
Operating Transfers - Out	(966,879)	(6,202,390)	0	(70,318)
<b>Total Other Financing Sources (Uses)</b>	<b>2,978,971</b>	<b>(4,490,163)</b>	<b>0</b>	<b>800,922</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	3,907	(807,877)	19,610	(348,987)
Fund Balances at Beginning of Year (Restated, See Note 3)	3,443,783	6,875,218	620,538	2,302,749
Increase in Reserve for Inventory	0	15,473	0	0
<b>Fund Balances at End of Year</b>	<b>\$3,447,690</b>	<b>\$6,082,814</b>	<b>\$640,148</b>	<b>\$1,953,762</b>

See accompanying notes to the general purpose financial statements

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Totals  
(Memorandum Only)

\$4,996,671  
1,609,241  
632,742  
335,306  
555,605  
4,035,388  
208,241  
174,408  
165,987

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12,713,589

2,313,036  
4,507,625  
60,313  
1,547,949  
258,324  
1,824,360  
126,702  
1,945,865

92,092  
283,544  
176,856

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13,136,666

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(423,077)

14,257  
727  
6,514,333  
(7,239,587)

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(710,270)

(1,133,347)

13,242,288

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15,473

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\$12,124,414

**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, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	875,200	833,442	(41,758)
Charges for Services	85,680	57,424	(28,256)
Licenses and Permits	79,500	99,507	20,007
Fines and Forfeitures	322,704	337,953	15,249
Intergovernmental	2,183,482	2,273,499	90,017
Special Assessments	0	0	0
Investment Income	198,725	118,748	(79,977)
Other	1,700	4,513	2,813
<b>Total Revenues</b>	<b>3,746,991</b>	<b>3,725,086</b>	<b>(21,905)</b>
<u>Expenditures</u>			
Current:			
General Government	2,145,164	1,957,644	187,520
Security of Persons and Property	3,991,385	3,854,946	136,439
Public Health and Welfare	62,321	61,025	1,296
Transportation	0	0	0
Community Environment	224,761	214,882	9,879
Leisure Time Activities	857,990	806,338	51,652
Economic Development and Assistance	0	0	0
Capital Outlay	343,653	294,151	49,502
Debt Service:			
Internal Notes	0	0	0
Principal Retirement	1,544	1,544	0
Interest and Fiscal Charges	4,695	4,695	0
<b>Total Expenditures</b>	<b>7,631,513</b>	<b>7,195,225</b>	<b>436,288</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,884,522)	(3,470,139)	414,383
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	115,925	94,179	(21,746)
Proceeds of Internal Bonds	0	0	0
Proceeds of Internal Notes	0	0	0
Sale of Fixed Assets	4,000	0	(4,000)
Advances - In	156,746	156,746	0
Advances - Out	(476,460)	(277,839)	198,621
Operating Transfers - In	3,946,600	3,945,850	(750)
Operating Transfers - Out	(966,879)	(966,879)	0
<b>Total Other Financing Sources (Uses)</b>	<b>2,779,932</b>	<b>2,952,057</b>	<b>172,125</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(1,104,590)	(518,082)	586,508
Fund Balances at Beginning of Year	2,781,175	2,781,175	0
Prior Year Encumbrances Appropriated	459,030	459,030	0
<b>Fund Balances at End of Year</b>	<b>\$2,135,615</b>	<b>\$2,722,123</b>	<b>\$586,508</b>

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)
\$5,460,000	\$5,062,031	(\$397,969)	\$0	\$0	\$0
711,549	674,895	(36,654)	0	0	0
580,815	571,514	(9,301)	0	0	0
613,639	90,533	(523,106)	0	0	0
265,746	202,249	(63,497)	0	0	0
1,792,010	1,014,388	(777,622)	0	0	0
0	0	0	150,000	171,163	21,163
276,676	62,646	(214,030)	31,500	5,052	(26,448)
50,630	14,662	(35,968)	0	0	0
<u>9,751,065</u>	<u>7,692,918</u>	<u>(2,058,147)</u>	<u>181,500</u>	<u>176,215</u>	<u>(5,285)</u>
384,266	368,549	15,717	4,000	4,000	0
1,035,928	951,102	84,826	0	0	0
0	0	0	0	0	0
1,830,370	1,665,397	164,973	0	0	0
510	265	245	0	0	0
2,498,146	1,162,091	1,336,055	0	0	0
500	92	408	0	0	0
208,632	157,350	51,282	0	0	0
68,135	68,135	0	104,092	104,092	0
0	0	0	0	0	0
2,725	2,725	0	49,732	49,732	0
<u>6,029,212</u>	<u>4,375,706</u>	<u>1,653,506</u>	<u>157,824</u>	<u>157,824</u>	<u>0</u>
<u>3,721,853</u>	<u>3,317,212</u>	<u>(404,641)</u>	<u>23,676</u>	<u>18,391</u>	<u>(5,285)</u>
13,075	11,799	(1,276)	0	0	0
0	0	0	0	0	0
49,385	49,375	(10)	0	0	0
0	727	727	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,711,500	1,711,500	0	0	0	0
(6,202,390)	(6,202,390)	0	0	0	0
<u>(4,428,430)</u>	<u>(4,428,989)</u>	<u>(559)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(706,577)	(1,111,777)	(405,200)	23,676	18,391	(5,285)
5,349,970	5,349,970	0	620,291	620,291	0
305,066	305,066	0	0	0	0
<u>\$4,948,459</u>	<u>\$4,543,259</u>	<u>(\$405,200)</u>	<u>\$643,967</u>	<u>\$638,682</u>	<u>(\$5,285)</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, 2002**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	371,914	329,950	(41,964)
Charges for Services	500	1,774	1,274
Licenses and Permits	83,000	144,005	61,005
Fines and Forfeitures	0	0	0
Intergovernmental	838,941	528,183	(310,758)
Special Assessments	26,000	37,078	11,078
Investment Income	50,487	0	(50,487)
Other	110,050	74,370	(35,680)
<b>Total Revenues</b>	<b>1,480,892</b>	<b>1,115,360</b>	<b>(365,532)</b>
<u>Expenditures</u>			
Current:			
General Government	47,290	46,330	960
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	44,447	43,111	1,336
Leisure Time Activities	2,335	2,233	102
Economic Development and Assistance	549,298	377,350	171,948
Capital Outlay	2,252,779	1,951,498	301,281
Debt Service:			
Internal Notes	100,692	100,692	0
Principal Retirement	270,000	270,000	0
Interest and Fiscal Charges	121,756	121,756	0
<b>Total Expenditures</b>	<b>3,388,597</b>	<b>2,912,970</b>	<b>475,627</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,907,705)	(1,797,610)	110,095
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	0	100	100
Proceeds of Internal Bonds	33,600	14,257	(19,343)
Proceeds of Internal Notes	267,276	64,999	(202,277)
Sale of Fixed Assets	0	0	0
Advances - In	476,460	277,839	(198,621)
Advances - Out	(147,000)	(147,000)	0
Operating Transfers - In	801,338	856,983	55,645
Operating Transfers - Out	(76,800)	(70,318)	6,482
<b>Total Other Financing Sources (Uses)</b>	<b>1,354,874</b>	<b>996,860</b>	<b>(358,014)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(552,831)	(800,750)	(247,919)
Fund Balances at Beginning of Year	2,370,861	2,370,861	0
Prior Year Encumbrances Appropriated	189,554	189,554	0
<b>Fund Balances at End of Year</b>	<b>\$2,007,584</b>	<b>\$1,759,665</b>	<b>(\$247,919)</b>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,460,000	\$5,062,031	(\$397,969)
1,958,663	1,838,287	(120,376)
666,995	630,712	(36,283)
776,139	334,045	(442,094)
588,450	540,202	(48,248)
4,814,433	3,816,070	(998,363)
176,000	208,241	32,241
557,388	186,446	(370,942)
162,380	93,545	(68,835)
<u>15,160,448</u>	<u>12,709,579</u>	<u>(2,450,869)</u>
2,580,720	2,376,523	204,197
5,027,313	4,806,048	221,265
62,321	61,025	1,296
1,830,370	1,665,397	164,973
269,718	258,258	11,460
3,358,471	1,970,662	1,387,809
549,798	377,442	172,356
2,805,064	2,402,999	402,065
272,919	272,919	0
271,544	271,544	0
178,908	178,908	0
<u>17,207,146</u>	<u>14,641,725</u>	<u>2,565,421</u>
<u>(2,046,698)</u>	<u>(1,932,146)</u>	<u>114,552</u>
129,000	106,078	(22,922)
33,600	14,257	(19,343)
316,661	114,374	(202,287)
4,000	727	(3,273)
633,206	434,585	(198,621)
(623,460)	(424,839)	198,621
6,459,438	6,514,333	54,895
(7,246,069)	(7,239,587)	6,482
<u>(293,624)</u>	<u>(480,072)</u>	<u>(186,448)</u>
(2,340,322)	(2,412,218)	(71,896)
11,122,297	11,122,297	0
953,650	953,650	0
<u>\$9,735,625</u>	<u>\$9,663,729</u>	<u>(\$71,896)</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, 2002**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Operating Revenues</u>			
Charges for Services	\$25,987,951	\$1,970,799	\$27,958,750
Tap-In Fees	475,733	0	475,733
Grants	1,404	0	1,404
Other	61,115	184,633	245,748
Total Operating Revenues	26,526,203	2,155,432	28,681,635
<u>Operating Expenses</u>			
Personal Services	7,835,260	8,065	7,843,325
Contractual Services	13,724,679	50,336	13,775,015
Claims and Judgments	0	1,915,845	1,915,845
Materials and Supplies	305,371	258,096	563,467
Depreciation	1,742,255	12,025	1,754,280
Repairs and Maintenance	568,566	7,813	576,379
Intergovernmental	1,145,943	0	1,145,943
Total Operating Expenses	25,322,074	2,252,180	27,574,254
Operating Income (Loss)	1,204,129	(96,748)	1,107,381
<u>Non-Operating Revenues (Expenses)</u>			
Investment in Joint Venture	935,979	0	935,979
Capital Contributions	413,430	0	413,430
Interest Income	277,647	0	277,647
Gain on Disposal of Fixed Assets	9,486	0	9,486
Interest and Fiscal Charges	(827,413)	0	(827,413)
Other Non-Operating Revenues	25,029	0	25,029
Other Non-Operating Expenses	(909)	0	(909)
Total Non-Operating Revenues (Expenses)	833,249	0	833,249
Income (Loss) Before Operating Transfers	2,037,378	(96,748)	1,940,630
Operating Transfers - In	1,697,793	0	1,697,793
Operating Transfers - Out	(972,539)	0	(972,539)
Net Income (Loss)	2,762,632	(96,748)	2,665,884
Retained Earnings at Beginning of Year	32,467,756	291,011	32,758,767
Retained Earnings at End of Year	35,230,388	194,263	35,424,651
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	\$40,637,649	\$194,263	\$40,831,912

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, 2002**

	Enterprise	Internal Service	Totals
Increase (Decrease) in Cash and Cash Equivalents			
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from Customers	\$26,083,766	\$2,071,377	\$28,155,143
Cash Payments to Suppliers for Goods and Services	(14,578,221)	(314,999)	(14,893,220)
Cash Payments to Employees for Services	(6,872,713)	(2,782)	(6,875,495)
Cash Payments for Claims	0	(1,930,314)	(1,930,314)
Other Operating Revenues	61,115	184,633	245,748
Intergovernmental Expenses	(1,145,896)	0	(1,145,896)
Net Cash Provided by Operating Activities	<u>3,548,051</u>	<u>7,915</u>	<u>3,555,966</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Operating Grants Received	40,000	0	40,000
Operating Transfers In	1,697,793	0	1,697,793
Operating Transfers Out	(972,539)	0	(972,539)
Interfund Notes Receivable	(1,153,250)	0	(1,153,250)
Interfund Notes Receivable Repaid from Other Funds	2,450,220	0	2,450,220
Proceeds of Internal Notes	1,293,880	0	1,293,880
Repayment of Internal Notes	(3,885,160)	0	(3,885,160)
Other Non-Operating Revenues	27,257	0	27,257
Other Non-Operating Expenses	(909)	0	(909)
Repayment of Interfund Payable	(9,746)	0	(9,746)
Net Cash (Used for) Noncapital Financing Activities	<u>(512,454)</u>	<u>0</u>	<u>(512,454)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition of Capital Assets	(3,177,539)	0	(3,177,539)
Proceeds from Sale of Bonds	10,563,041	0	10,563,041
Proceeds from Sale of Capital Assets	9,486	0	9,486
Principal Payments	(8,289,263)	0	(8,289,263)
Interest Payments	(874,894)	0	(874,894)
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,769,169)</u>	<u>0</u>	<u>(1,769,169)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on Investments	274,526	0	274,526
Net Cash Provided by Investing Activities	<u>274,526</u>	<u>0</u>	<u>274,526</u>
Net Increase in Cash and Cash Equivalents	1,540,954	7,915	1,548,869
Cash and Cash Equivalents at Beginning of Year	3,144,025	195,117	3,339,142
Cash and Cash Equivalents at End of Year	<u>\$4,684,979</u>	<u>\$203,032</u>	<u>\$4,888,011</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$1,204,129	(\$96,748)	\$1,107,381
<b>Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities</b>			
Depreciation	1,742,255	12,025	1,754,280
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(379,918)	100,578	(279,340)
(Increase)/Decrease in Due from Other Governments	(1,404)	0	(1,404)
(Increase)/Decrease in Prepaid Items	(10,105)	0	(10,105)
(Increase)/Decrease in Materials and Supplies Inventory	28,463	1,246	29,709
Increase/(Decrease) in Accounts Payable	383,520	5,283	388,803
Increase/(Decrease) in Accrued Wages and Benefits	19,709	0	19,709
Increase/(Decrease) in Compensated Absences Payable	525,470	0	525,470
Increase/(Decrease) in Intergovernmental Payable	35,932	0	35,932
Increase/(Decrease) in Claims	0	(14,469)	(14,469)
Total Adjustments	<u>2,343,922</u>	<u>104,663</u>	<u>2,448,585</u>
Net Cash Provided by Operating Activities	<u>\$3,548,051</u>	<u>\$7,915</u>	<u>\$3,555,966</u>
<b><u>Non-Cash Investing, Capital and Financing Activities:</u></b>			
Net Increase in Fair Value of Investments	\$14,694	\$0	\$14,694
Capital Assets Contributed by Developers	413,430	0	413,430
Total Non-Cash Investing, Capital and Financing Activities	<u>\$428,124</u>	<u>\$0</u>	<u>\$428,124</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, 2002**

**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 22 and 23.

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, 2002**

**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, 2002**

**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, 2002**

**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, 2002, 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, 2002**

**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, 2002**

**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 2002.

**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, 2002**

**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, 2002.

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 2002 than they would have received based on their average share of investments:

	Actual Interest Credited	Amount Assigned From Other City Funds
General Fund	\$88,478	\$16,222
Special Revenue:		
Street	16,880	312
Cable Television	23,003	18,452
Revolving Loan	2,157	313
Enterprise:		
Sewer	31,852	375
Water	29,247	6,616
Electric	193,489	136,422
Sanitation	23,059	7,167

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**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 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, 2002, 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, 2002**

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

Long-term interfund loans are reported as “Interfund Notes Receivable/Payable” 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’s capitalization is \$5,000.

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
Equipment	2 to 50 years
Vehicles	8 to 30 years
Infrastructure	75 years

**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.

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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.

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 arisen 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 arisen 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.

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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 2002, there was no change in contributed capital.

**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.

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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 – RESTATEMENT OF PRIOR YEAR FUND BALANCE**

In the prior year, the City misstated the fair market value of their investment’s and failed to record accrued interest earned by these investments. The City has restated their beginning fund balances to reflect the correction of these errors.

	<u>Capital Projects Fund</u>
<u>GAAP Basis</u>	
Excess as Previously Reported	\$260,371
Prior Year Corrections	<u>29,840</u>
Excess as Restated December 31, 2001	<u><u>\$290,211</u></u>
 <u>Budget Basis</u>	
Excess as Previously Reported	\$94,987
Prior Year Corrections	<u>0</u>
Excess as Restated December 31, 2001	<u><u>\$94,987</u></u>

The restatement to the beginning fund balances on the GAAP basis is as follows:

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND BALANCE (continued)**

	Capital Projects Fund
Fund Balances as Stated at December 31, 2001	\$2,272,909
Prior Year Corrections	29,840
Fund Balances as Stated at January 1, 2002	<u>\$2,302,749</u>

The restatement to the beginning fund balances on the budgetary basis is as follows:

	Capital Projects Fund
Fund Balances as Stated at December 31, 2001	\$2,370,861
Prior Year Corrections	0
Fund Balances as Stated at January 1, 2002	<u>\$2,370,861</u>

**NOTE 4 - 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).
5. Advances 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, 2002**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

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			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$3,907	(\$807,877)	\$19,610	(\$348,987)
Net Adjustment for Revenue Accruals	245,492	67,790	(1,219)	338,964
Net Adjustment for Expenditure Accruals	(249,593)	(66,550)	0	(184,867)
Encumbrances	(517,888)	(305,140)	0	(605,860)
Budget Basis	<u>(\$518,082)</u>	<u>(\$1,111,777)</u>	<u>\$18,391</u>	<u>(\$800,750)</u>

**NOTE 5 - 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:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Capital Project Funds:	
Special Assessments	(\$29,734)
Telephone Equipment	(16,017)
Internal Service:	
Health Insurance Retention	(152,692)

**NOTE 6 - 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.

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

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
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:

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

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 \$4,111,832 and the bank balance was \$3,514,933. Of the bank balance, \$1,121,638 was insured by federal depository insurance. \$2,393,295 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, 2002**

**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

	Category 3	Fair Value
Overnight Repurchase Agreements	\$2,156,749	\$2,156,749
Federal Agency Securities	2,021,149	2,021,149
	<u>\$4,177,898</u>	
STAR Ohio		<u>9,208,512</u>
Total Investments		<u>\$13,386,410</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	\$17,498,242	\$0
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(2,156,749)	2,156,749
Federal Agency Securities	(2,021,149)	2,021,149
STAR Ohio	<u>(9,208,512)</u>	<u>9,208,512</u>
GASB Statement No. 3	<u>\$4,111,832</u>	<u>\$13,386,410</u>

**NOTE 7 - 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% 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% 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, 2002**

**NOTE 7 - 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% 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, 2002. 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, 2002, and are not intended to finance 2002 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, 2002, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	Total Assessed Value	%
Real Property Valuation:		
Residential/Agriculture	\$274,993,180	69.94%
Commercial/Industrial/Mineral	71,055,480	18.07%
Public Utilities	5,480	0.00%
Tangible Personal Property Valuation:		
General	44,130,661	11.22%
Public Utilities	3,045,700	0.77%
Total Valuation	\$393,230,501	100.00%

**NOTE 8 - 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 2002 received 60 days after year-end have been recognized as revenue in 2002.

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, 2002**

**NOTE 8 - INCOME TAX** (continued)

Income tax revenues are distributed, as needed, to the various funds of the City pursuant to Council resolution. In 2002 income tax revenue was distributed to the following funds: General; Recreation; Street; Capital Improvement; and City Hall.

**NOTE 9 - NOTES RECEIVABLE**

In previous years, the City made development loans from their revolving loan fund. The amount of notes receivable at December 31, 2002 is as follows:

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
Revolving Loan Fund Rate 5%	\$28,502	\$0	(\$8,965)	\$19,537

**NOTE 10 - RECEIVABLES**

Receivables at December 31, 2002, 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	\$55,448
Special Revenue Funds:	
Recreation	1,210
Streets	43,410
EMS	23,179
DARE - Education	23,219
Motor Vehicle Permissive Tax	15,295
State Highway	2,772
Probation Services	2,119
Total Special Revenue	<u>111,204</u>
Capital Projects Fund	
CHIP Grant	186,803
Airport	90,521
Special Assessments	125,000
Community Development Block Grant	172,467
Total Capital Projects	<u>574,791</u>

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 10 – RECEIVABLES (continued)**

Enterprise Fund:	
Water	1,404
Total All Funds	<u><u>\$742,847</u></u>

**NOTE 11 - 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 12 - FIXED ASSETS**

A summary of the changes in general fixed assets during 2002 follows:

	Balance			Balance
	01/01/2002	Additions	Deletions	12/31/2002
Land	\$4,421,068	\$1,344	\$0	\$4,422,412
Buildings	6,387,348	15,465	0	6,402,813
Equipment	1,629,748	122,429	0	1,752,177
Vehicles	3,348,769	182,200	(11,496)	3,519,473
Construction in Progress	0	1,159,052	0	1,159,052
	<u><u>\$15,786,933</u></u>	<u><u>\$1,480,490</u></u>	<u><u>(\$11,496)</u></u>	<u><u>\$17,255,927</u></u>

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 12 - FIXED ASSETS (continued)**

The beginning balance of the enterprise funds have been restated due to a correction of a prior year error in the City's fixed assets.

	Balance 12/31/2001	Additions	Restated Balance 12/31/2001
Enterprise Funds:			
Land and Improvements	\$482,260	\$0	\$482,260
Buildings	6,535,293	0	6,535,293
Equipment	1,360,193	0	1,360,193
Vehicles	3,194,496	0	3,194,496
Infrastructure	50,868,356	0	50,868,356
Infrastructure Work in Progress	714,863	1,804,283	2,519,146
Construction in Progress	8,353	0	8,353
Total	63,163,814	\$1,804,283	64,968,097
Less: Accumulated Depreciation	<u>(21,807,406)</u>		<u>(21,807,406)</u>
Net Fixed Assets	<u>\$41,356,408</u>		<u>\$43,160,691</u>

A summary of the proprietary funds' fixed assets at December 31, 2002 follows:

	Enterprise Funds	Internal Service Funds
Land and Improvements	\$489,518	\$0
Buildings	6,643,194	241,400
Equipment	1,468,297	43,638
Vehicles	3,572,854	31,253
Infrastructure	52,135,371	0
Infrastructure Work in Progress	3,838,964	0
Construction in Progress	120,594	0
	68,268,792	316,291
Less: Accumulated Depreciation	<u>(23,259,387)</u>	<u>(116,161)</u>
Net Fixed Assets	<u>\$45,009,405</u>	<u>\$200,130</u>

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

A. Ohio Public Employees Retirement System:

All employees of the City, with the exclusion of City police officers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The OPERS 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 OPERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the OPERS. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6705 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%; 8.55% 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, 2002, 2001 and 2000 were \$830,337, \$804,407 and \$874,914, respectively, equal to the required contributions for each year.

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 Ohio), a cost-sharing, multiple-employer defined benefit pension plan administered by its Board of Trustees. OP&F Ohio 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 Ohio 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 Ohio, 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; 11.75% and 16.25% 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 Ohio for the years ended December 31, 2002, 2001 and 2000 were \$286,487, \$276,543 and \$279,523, 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, 2002**

**NOTE 14 – POST EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System:

The Ohio Public Employees Retirement System (OPERS) provides post-retirement 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 OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55% of covered payroll; 5.00% was the portion that was used to fund health care for the year 2002. The City’s actual contributions for 2002 which were used to fund post-employment benefits were \$485,577.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS’s latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The actual contribution and the actuarially required contribution amounts are the same. OPERS’s net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December, 2001, the board adopted the Health Care “Choices” Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

**CITY OF WADSWORTH, OHIO**  
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**NOTE 14 – POST EMPLOYMENT BENEFITS (continued)**

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**B. Ohio Police and Fire Pension Fund:**

The Ohio Police and Fire Pension Fund (OP&F Ohio) 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 Ohio 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 Ohio'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 7.75% and 7.5% of covered payroll in 2002 and 2001, respectively. 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 13,174 for police officers. The City's contribution to pay post employment benefits was \$113,860 during 2002. OP&F Ohio'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 15 - 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, 2002, the City's liability for compensated absences was \$3,467,175.

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 16 - 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 \$230,173 reported in the self-insurance internal service fund at December 31, 2002 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>
2001	\$151,177	\$1,866,652	(\$1,773,187)	\$244,642
2002	\$244,642	\$1,801,572	(\$1,816,041)	\$230,173

**CITY OF WADSWORTH, OHIO**  
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**NOTE 17 - DEBT OBLIGATIONS**

Debt outstanding at December 31, 2002, consisted of the following issues:

	<u>Balance</u> 01/01/2002	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/2002
<b><u>ENTERPRISE FUNDS</u></b>				
Water Treatment Plant General Obligation Bonds; 8.875%, Due through 2003	\$335,000	\$0	(\$165,000)	\$170,000
OWDA Loan from Medina County 6.65%, Due through 2005	<u>854,118</u>	<u>0</u>	<u>(266,263)</u>	<u>587,855</u>
Total Enterprise Funds	<u><u>1,189,118</u></u>	<u><u>0</u></u>	<u><u>(431,263)</u></u>	<u><u>757,855</u></u>
<b><u>GENERAL LONG-TERM</u></b>				
<b><u>OBLIGATIONS ACCOUNT GROUP</u></b>				
City Hall Construction General Obligation Bonds; 8.00%, Due through 2009	2,530,000	0	(270,000)	2,260,000
Downtown Sidewalk Improvement Special Assessment Bonds 9.25%, Due through 2005	48,000	0	(12,000)	36,000
Liability for Police Past Service Cost 2.36%, Due through 2034	<u>103,778</u>	<u>0</u>	<u>(1,352)</u>	<u>102,426</u>
Total General Long-Term Debt	<u><u>2,681,778</u></u>	<u><u>0</u></u>	<u><u>(283,352)</u></u>	<u><u>2,398,426</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**  
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**NOTE 17 - DEBT OBLIGATIONS (continued)**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2002, including interest payments of \$15,088 for the water treatment plant general obligation bonds, \$459,545 for the city hall construction general obligation bonds, \$6,660 for the downtown sidewalk special assessment bonds and \$6,483,684 for the electric system improvement 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	Electric System Improvement Bonds	Total
2003	\$185,088	\$388,153	\$15,330	\$551,518	\$1,140,089
2004	0	390,412	14,220	916,750	1,321,382
2005	0	386,695	13,110	916,155	1,315,960
2006	0	387,360	0	913,503	1,300,863
2007	0	387,160	0	913,943	1,301,103
Thereafter	0	779,765	0	13,583,815	14,363,580
<b>Total</b>	<b>\$185,088</b>	<b>\$2,719,545</b>	<b>\$42,660</b>	<b>\$17,795,684</b>	<b>\$20,742,977</b>

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

	Balance 01/01/2002	Additions	Reduction	Balance 12/31/2002
1998 American Municipal Power-Ohio, Inc. 3.35%, Due through 2018	\$3,750,000	\$0	(\$3,750,000)	\$0
1999 American Municipal Power-Ohio, Inc. 3.35%, Due through 2019	3,775,000	0	(3,775,000)	0
American Municipal Power-Ohio, Inc.	0	11,645,000	(333,000)	11,312,000
<b>Total</b>	<b>\$7,525,000</b>	<b>\$11,645,000</b>	<b>(\$7,858,000)</b>	<b>\$11,312,000</b>

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. Refinance notes originally issued to pay the cost of financing the construction and installation of various capital improvements for the municipal electric utility and the telecommunications system of the City;
2. Providing funds for additional improvements to the telecommunications system;

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 17 - DEBT OBLIGATIONS (continued)**

3. Fund a debt service reserve fund; and
4. Pay the costs of issuance of the 2002 bonds.

During the year ended December 31, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group:

	<u>Balance</u> 01/01/2002	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/2002
Compensated Absences	\$1,226,880	\$0	(\$77,266)	\$1,149,614
Police Past Service Cost	103,778	0	(1,352)	102,426
Interfund Notes Payable	672,922	14,257	(92,092)	595,087
Special Assessment Debt	48,000	0	(12,000)	36,000
General Obligation Bonds	2,530,000	0	(270,000)	2,260,000
Intergovernmental Payable	28,537	23,700	(28,537)	23,700
<b>Total</b>	<u>\$4,610,117</u>	<u>\$37,957</u>	<u>(\$481,247)</u>	<u>\$4,166,827</u>

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

**NOTE 18 – INTERFUND 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 Interfund Notes Receivable in the funds purchasing the debt and as Interfund Notes Payable in those issuing the debt.

Following is a detail of Interfund Notes Receivable/Payable, by debt issue, during 2002:

	<u>Balance</u> 01/01/2002	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/2002
<b>SPECIAL REVENUE FUNDS:</b>				
<b><u>Recreation</u></b>				
1996 Waterslide				
Issue: 04/02, Maturity 04/03, Rate 4.00%	\$0	\$13,750	\$0	\$13,750
1996 Waterslide				
Issue: 04/01, Maturity 04/02, Rate 4.00%	20,625	0	(20,625)	0
<b>Total Recreation</b>	<u>\$20,625</u>	<u>\$13,750</u>	<u>(\$20,625)</u>	<u>\$13,750</u>

**CITY OF WADSWORTH, OHIO**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
<u>Street</u>				
1997 Salt Shed Issue: 11/02, Maturity 11/03, Rate 4.00%	\$0	\$35,625	\$0	\$35,625
1997 Salt Shed Issue: 11/01, Maturity 11/02, Rate 4.00%	<u>47,510</u>	<u>0</u>	<u>(47,510)</u>	<u>0</u>
Total Street	<u>\$47,510</u>	<u>\$35,625</u>	<u>(\$47,510)</u>	<u>\$35,625</u>
TOTAL SPECIAL REVENUE FUNDS	<u>\$68,135</u>	<u>\$49,375</u>	<u>(\$68,135)</u>	<u>\$49,375</u>
<u>CAPITAL PROJECTS FUNDS:</u>				
<u>Telephone Equipment</u>				
1995 Telephone Equipment Issue: 03/02, Maturity 03/03, Rate 4.00%	\$0	\$15,499	\$0	\$15,499
1995 Telephone Equipment Issue: 03/01, Maturity 03/02, Rate 4.00%	<u>37,692</u>	<u>0</u>	<u>(37,692)</u>	<u>0</u>
Total Telephone Equipment	<u>\$37,692</u>	<u>\$15,499</u>	<u>(\$37,692)</u>	<u>\$15,499</u>
<u>Special Assessments</u>				
2002 Durling Drive Improvements Issue: 07/02, Maturity 07/03, Rate 4.00%	\$0	\$8,000	\$0	\$8,000
1993 Durling Drive Improvements Issue: 07/01, Maturity 07/02, Rate 4.00%	27,000	0	(27,000)	0
2002 Street Improvements Issue: 09/02, Maturity 09/03, Rate 4.00%	0	41,500	0	41,500
2001 Street Improvements Issue: 09/01, Maturity 09/02, Rate 6.00%	<u>36,000</u>	<u>0</u>	<u>(36,000)</u>	<u>0</u>
Total Special Assessments	<u>\$63,000</u>	<u>\$49,500</u>	<u>(\$63,000)</u>	<u>\$49,500</u>
TOTAL CAPITAL PROJECTS FUNDS	<u>\$100,692</u>	<u>\$64,999</u>	<u>(\$100,692)</u>	<u>\$64,999</u>

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
<b>ENTERPRISE FUNDS:</b>				
<b>Electric</b>				
1996 Electric Substation Expansion Issue: 11/01, Maturity 11/02, Rate 4.00%	251,195	0	(251,195)	0
1994 Electric Service Building Issue: 12/01, Maturity 12/02, Rate 4.00%	243,885	0	(243,885)	0
1996 Cable TV Headend Issue: 03/02, Maturity 03/03, Rate 4.00%	0	362,200	0	362,200
1996 Cable TV Headend Issue: 03/01, Maturity 03/02, Rate 4.00%	452,750	0	(452,750)	0
1995 Broadband Communications System Issue: 09/01, Maturity 09/02, Rate 4.00%	257,975	0	(257,975)	0
1997 Electric Storage Building Issue: 10/01, Maturity 10/02, Rate 4.00%	149,040	0	(149,040)	0
1997 Electric Substation Issue: 10/01, Maturity 10/02, Rate 4.00%	283,125	0	(283,125)	0
1997 Broadband Communications Issue: 10/01, Maturity 10/02, Rate 4.00%	240,000	0	(240,000)	0
1998 Broadband Communications Issue: 09/01, Maturity 09/02, Rate 4.00%	243,020	0	(243,020)	0
1999 Broadband Communications Issue: 09/01, Maturity 09/02, Rate 4.00%	243,360	0	(243,360)	0
2000 Broadband Communications Issue: 09/01, Maturity 09/02, Rate 4.00%	345,600	0	(345,600)	0
2001 Electric Building Addition Issue: 11/01, Maturity 11/02, Rate 4.00%	130,000	0	(130,000)	0

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
2001 Broadband Communications				
Issue: 11/01, Maturity 11/02, Rate 4.00%	425,000	0	(425,000)	0
Total Electric	<u>\$3,264,950</u>	<u>\$362,200</u>	<u>(\$3,264,950)</u>	<u>\$362,200</u>
<b><u>Water</u></b>				
1994 Water Treatment and Supply Study				
Issue: 12/02, Maturity 12/03, Rate 4.00%	\$0	\$6,000	\$0	\$6,000
1994 Water Treatment and Supply Study				
Issue: 12/01, Maturity 12/02, Rate 4.00%	16,000	0	(16,000)	0
2002 Water Treatment Plant				
Instrumentation				
Issue: 04/02, Maturity 04/03, Rate 4.00%	0	320,000	0	320,000
2002 Water Supply Professional Services				
Issue: 03/02, Maturity 03/03, Rate 4.00%	0	82,000	0	82,000
1997 Bird Street Tank Painting				
Issue: 10/02, Maturity 10/03, Rate 4.00%	0	17,625	0	17,625
1997 Bird Street Tank Painting				
Issue: 10/01, Maturity 10/02, Rate 4.00%	23,500	0	(23,500)	0
1997 Development of Water Wells				
Issue: 09/02, Maturity 09/03, Rate 4.00%	0	99,180	0	99,180
1997 Development of Water Wells				
Issue: 09/01, Maturity 09/02, Rate 4.00%	115,710	0	(115,710)	0
2001 Lagoon Restoration				
Issue: 11/02, Maturity 11/03, Rate 4.00%	0	131,250	0	131,250
2001 Lagoon Restoration				
Issue: 11/01, Maturity 11/02, Rate 4.00%	<u>150,000</u>	<u>0</u>	<u>(150,000)</u>	<u>0</u>
Total Water	<u>\$305,210</u>	<u>\$656,055</u>	<u>(\$305,210)</u>	<u>\$656,055</u>

**CITY OF WADSWORTH, OHIO**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
<b>Sanitation</b>				
2001 Sanitation Equipment Acquisition Issue: 10/01, Maturity 10/02, Rate 6.00%	\$315,000	\$0	(\$315,000)	\$0
2001 Sanitation Equipment Acquisition Issue: 10/02, Maturity 10/03, Rate 4.00%	<u>0</u>	<u>275,625</u>	<u>0</u>	<u>275,625</u>
Total Sanitation	<u>\$315,000</u>	<u>\$275,625</u>	<u>(\$315,000)</u>	<u>\$275,625</u>
<b>TOTAL ENTERPRISE FUNDS</b>	<u><b>\$3,885,160</b></u>	<u><b>\$1,293,880</b></u>	<u><b>(\$3,885,160)</b></u>	<u><b>\$1,293,880</b></u>
<b>GENERAL LONG-TERM OBLIGATIONS</b>				
<b>ACCOUNT GROUP:</b>				
1987 West Street Paving Issue: 08/88, Maturity 08/03, Rate 7.50%	19,181	0	(9,244)	9,937
1993 Great Oaks Extension Issue: 09/94, Maturity 09/14, Rate 8.00%	224,402	0	(11,142)	213,260
Grandview Improvement Issue: 09/91, Maturity 09/06, Rate 7.00%	55,301	0	(9,616)	45,685
Second and Wood Improvements Issue: 09/89, Maturity 09/04, Rate 8.00%	13,601	0	(4,190)	9,411
S.W. Parking Lot Issue: 05/92, Maturity 05/02, Rate 6.00%	5,070	0	(5,070)	0
Waverly Improvement Issue: 04/90, Maturity 04/05, Rate 8.00%	28,516	0	(6,326)	22,190
Westwood Improvement Issue: 09/90, Maturity 09/05, Rate 8.00%	26,302	0	(5,837)	20,465
Wilson Road Waterline Issue: 08/88, Maturity 08/03, Rate 7.50%	2,125	0	(1,024)	1,101

**CITY OF WADSWORTH, OHIO**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
1994 Seville Road Sanitary Sewer Issue: 07/94, Maturity 07/09, Rate 7.00%	4,559	0	(445)	4,114
Archwood Waterline Issue: 09/90, Maturity 09/05, Rate 8.00%	7,193	0	(1,596)	5,597
1996 Street Improvement Issue: 07/97, Maturity 07/02, Rate 6.50%	2,067	0	(2,067)	0
1996 Sidewalk Improvement Issue: 07/97, Maturity 07/02, Rate 6.50%	3,821	0	(3,821)	0
1997 Rittman Road Waterline Issue: 07/97, Maturity 07/12, Rate 6.50%	21,039	0	(1,370)	19,669
1997 Street Improvement Issue: 06/98, Maturity 06/03, Rate 6.00%	7,922	0	(3,845)	4,077
1997 Sidewalk Improvement Issue: 10/98, Maturity 10/03, Rate 6.00%	2,242	0	(1,088)	1,154
1998 Silvercrest Waterline Issue: 10/98, Maturity 10/13, Rate 6.00%	54,895	0	(3,254)	51,641
1998 Silvercrest Sewer Issue: 08/99, Maturity 08/14, Rate 6.00%	65,404	0	(3,464)	61,940
1999 Mechanic Street Issue: 08/99, Maturity 08/09, Rate 6.00%	47,570	0	(4,806)	42,764
1998 College Street Sidewalk Issue: 08/99, Maturity 08/04, Rate 6.00%	7,482	0	(2,350)	5,132
1998 Sidewalk Improvement Issue: 08/99, Maturity 08/04, Rate 6.00%	5,698	0	(1,790)	3,908
1998 Street Program Issue: 08/99, Maturity 08/04, Rate 6.00%	3,268	0	(1,027)	2,241

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2002</u>
2000 Grace Drive Sanitary Sewer Issue: 09/00, Maturity 09/15, Rate 8.00%	5,364	0	(219)	5,145
1999 Street Program Issue: 08/00, Maturity 08/05, Rate 6.00%	11,580	0	(2,647)	8,933
1999 Sidewalk Program Issue: 08/01, Maturity 08/06, Rate 6.00%	8,080	0	(1,436)	6,644
2001 Street Improvement Issue: 09/02, Maturity 09/07, Rate 4.00%	0	6,527	0	6,527
2000 Street Improvement Issue: 08/01, Maturity 08/06, Rate 6.00%	9,587	0	(1,701)	7,886
Southeast Downtown Parking Lot Improvement Issue: 08/01, Maturity 08/11, Rate 6.00%	26,778	0	(2,032)	24,746
2001 Sidewalk Improvement Issue: 09/02, Maturity 09/07, Rate 4.00%	0	7,730	0	7,730
2000 Sidewalk Improvement Issue: 08/01, Maturity 08/06, Rate 6.00%	<u>3,875</u>	<u>0</u>	<u>(685)</u>	<u>3,190</u>
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</b>	<u>\$672,922</u>	<u>\$14,257</u>	<u>(\$92,092)</u>	<u>\$595,087</u>
<b>TOTAL ALL FUNDS AND ACCOUNT GROUPS</b>	<u>\$4,726,909</u>	<u>\$1,422,511</u>	<u>(\$4,146,079)</u>	<u>\$2,003,341</u>

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 18 – INTERFUND NOTES RECEIVABLE/PAYABLE (continued)**

Following is a summary of interfund notes, by fund, outstanding at December 31, 2002:

Fund	Interfund Notes Receivable	Interfund Notes Payable
General	\$563,796	\$0
Special Revenue:		
Recreation	0	13,750
EMS	113,948	0
Street	75,016	35,625
Motor Vehicle License	31,336	0
State Highway	9,021	0
Cable Television	56,974	0
Total Special Revenue	<u>286,295</u>	<u>49,375</u>
Capital Projects:		
Telephone Equipment	0	15,499
Special Assessments	0	49,500
Total Capital Projects	<u>0</u>	<u>64,999</u>
Enterprise:		
Electric	777,696	362,200
Sewer	142,435	0
Water	129,616	656,055
Sanitation	103,503	275,625
Total Enterprise	<u>1,153,250</u>	<u>1,293,880</u>
General Long-Term Obligations Account Group	0	595,087
Total	<u><u>\$2,003,341</u></u>	<u><u>\$2,003,341</u></u>

**NOTE 19 - INTERFUND TRANSACTIONS**

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of December 31, 2002 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$277,839	\$0
Capital Projects Funds		
Community Development Block Grant	0	277,839
Total All Funds	<u><u>\$277,839</u></u>	<u><u>\$277,839</u></u>

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 20 - 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, 2002, is as follows:

	Electric	Sewer	Water	Sanitation	Totals
Operating Revenue	\$20,566,750	\$2,302,689	\$2,125,362	\$1,531,402	\$26,526,203
Operating Expenses Before Depreciation	18,450,323	1,519,448	1,922,285	1,687,763	23,579,819
Depreciation Expense	1,192,337	238,060	236,087	75,771	1,742,255
Net Non-Operating Revenues (Expenses)	410,369	230,517	173,392	18,971	833,249
Net Operating Transfers - In (Out)	804,179	(27,625)	(30,465)	(20,835)	725,254
Net Income (Loss)	2,138,638	748,073	109,917	(233,996)	2,762,632
Current Capital Contributions	0	251,940	161,490	0	413,430
Fixed Asset Additions	2,743,184	266,267	238,642	342,876	3,590,969
Net Working Capital	3,119,596	677,257	951,279	354,109	5,102,241
Total Assets	32,965,237	12,430,265	11,765,622	1,318,756	58,479,880
Long-Term Liabilities	11,674,200	0	826,055	275,625	12,775,880
Total Equity	18,217,901	11,359,455	10,283,175	777,118	40,637,649
Encumbrances at December 31, 2002	\$337,006	\$145,666	\$437,627	\$21,951	\$942,250

**NOTE 21 - 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, 2002**

**NOTE 22 - 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%, respectively. The City's equity interest was \$50,182, \$3,019,874 and \$392,241 for JV 1, JV 2 and JV 5, respectively, at December 31, 2002. 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, 2002:

	OMEGA JV 1	OMEGA JV 2	OMEGA JV 5
Total Assets	\$459,652	\$52,823,592	\$200,428,255
Total Liabilities	13,191	846,412	193,448,874
Participants Equity	446,461	51,977,180	6,979,381
Total Revenues	174,164	2,298,425	21,768,862
Total Expenses	147,744	5,320,655	20,953,130
Excess (Deficiency) Income			
Over (Under) Expenses	26,420	(3,022,230)	815,732

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.

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, 2002 was as follows:

**CITY OF WADSWORTH, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 22 - JOINT VENTURES (continued)**

Total Receipts	\$153,269
Total Disbursements	<u>(173,663)</u>
Excess Receipts (Under) Disbursements	<u><u>(\$20,394)</u></u>

The Cemetery has no outstanding debt.

**NOTE 23 - 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 24 - 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  
MEDINA COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through or Grantor's Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Direct</i>				
Partnership and Community Policing Grants	16.710	1995CFWX3285		\$36,694
Bulletproof Vest Partnership Program	16.607	346002961W 01008079	\$3,075	6,050
Total U.S. Department of Justice			3,075	42,744
<b><u>U.S. DEPARTMENT OF THE TREASURY, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS</u></b>				
<i>Direct</i>				
Gang Resistance Education and Training	21.053	N/A	23,267	22,000
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENTS</u></b>				
<i>Passed through Ohio Department of Development</i>				
Community Development Block Grant/ State's Program	14.228	AF-00-193-1 AC-01-193-1 AF-01-193-1 AF-02-193-1	72,000 81,400 3,000	45,583 78,913 2,593 18
Total Community Development Block Grant			156,400	127,107
Home Improvement Partnerships Program/State's Program	14.239	AC-01-193-2	138,343	98,095
Total U.S. Department of Housing and Urban Development			294,743	225,202
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<i>Direct</i>				
Airport Improvement Program	20.106	N/A	209,479	209,932
<b>TOTALS</b>			<b><u>\$530,564</u></b>	<b><u>\$499,878</u></b>

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, 2002**

**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**

City has established a revolving loan program to provide low-interest loans to businesses in order to create jobs for persons from low to moderate income households, and to eligible persons for rehabilitation of their homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, which is passed through the Ohio Department of Development (ODOD). 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

To the City Council:

We have audited the financial statements of the City of Wadsworth, Medina, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 17, 2004. 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 the 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 management of the City in a separate letter dated April 17, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 did note 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 April 17, 2004.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

City of Wadsworth  
Medina County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*

This report is intended for the information and use of 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  
April 17, 2004



**Auditor of State  
Betty Montgomery**

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

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

To the City Council:

**Compliance**

We have audited the compliance of the City of Wadsworth, Medina, 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 are applicable to its major federal program for the year ended December 31, 2002. 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, 2002.

**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 a 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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Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
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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 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  
April 17, 2004

**CITY OF WADSWORTH  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2002**

**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):	Airport Improvement Program CFDA# 20.106
<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?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**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  
MAY 25, 2004**