

WADSWORTH CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Wadsworth City School District

We have reviewed the Independent Auditor's Report of the Wadsworth City School District, Medina County, prepared by Rea & Associates, Inc. for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 19, 2004

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**WADSWORTH CITY SCHOOL DISTRICT**

**FOR THE YEAR ENDED JUNE 30, 2003**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 4, 2003

The Board of Education  
Wadsworth City School District  
Wadsworth, Ohio

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 *Governmental 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the Government implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Wadsworth City School District  
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2003 on our consideration of Wadsworth City School District'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 the report in considering the results of our audit.

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

*Rea & Associates, Inc.*

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

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The discussion and analysis of the Wadsworth City School District financial performance provides an overall review of the Wadsworth City School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the Wadsworth City School District's performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the Wadsworth City School District's financial performance.

***Financial Highlights***

Key financial highlights for 2003 are as follows:

- ❑ General Revenues accounted for \$33.4 million in revenue or 91.3% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3.2 million or 8.7% of total revenues of \$36.6 million.
- ❑ Total program expenses were \$35.2 million, \$33.9 million in governmental activities and \$1.3 million in business-type activities.
- ❑ In total, net assets increased \$1,422,514. Net assets of governmental activities increased \$1,347,779 which represents a 25.88% increase from 2002. Net assets of business-type activities increased \$74,735 or 28.56% from 2002.
- ❑ Outstanding bonded debt decreased from \$36,484,983 to \$35,399,983 through the payment of bond principal.

***Reporting the Wadsworth City School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Wadsworth City School District to provide programs and activities, the view of the Wadsworth City School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Wadsworth City School District is divided into two distinct kinds of activities:

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

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- ❑ **Governmental Activities** - Most of the Wadsworth City School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- ❑ **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Wadsworth City School District adult and community education programs, food service, extended day program and uniform school supplies are reported as business activities.

***Reporting the Wadsworth City School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the Wadsworth City School District's major funds begins on page 16. Fund financial reports provide detailed information about the Wadsworth City School District's major funds. The Wadsworth City School District uses many funds to account for financial transactions. However, these fund financial statements focus on the Wadsworth City School District's most significant funds. The Wadsworth City School District's major governmental funds are the general fund and the debt service fund.

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

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities (food service, uniform supplies, adult education, extended day program); therefore, these statements will essentially match.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

**The Wadsworth City School District as a Whole**

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

Table 1 provides a summary of the Wadsworth City School District's net assets for 2003 compared to 2002:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
Current and Other Assets	\$ 24,712,626	\$ 22,441,444	\$ 218,262	\$ 124,828	\$ 24,930,888	\$ 22,566,272
Capital Assets	43,468,949	43,861,146	273,380	300,169	43,742,329	44,161,315
Total Assets	<u>68,181,575</u>	<u>66,302,590</u>	<u>491,642</u>	<u>424,997</u>	<u>68,673,217</u>	<u>66,727,587</u>
<b>Liabilities</b>						
Long-Term Liabilities	(40,789,138)	(42,271,977)	(79,258)	0	(40,868,396)	(42,271,977)
Other Liabilities	<u>(20,837,396)</u>	<u>(18,823,351)</u>	<u>(75,990)</u>	<u>(163,338)</u>	<u>(20,913,386)</u>	<u>(18,986,689)</u>
Total Liabilities	<u>(61,626,534)</u>	<u>(61,095,328)</u>	<u>(155,248)</u>	<u>(163,338)</u>	<u>(61,781,782)</u>	<u>(61,258,666)</u>
<b>Net Assets</b>						
Invested in Capital Assets Net of Debt	13,308,966	7,376,163	273,380	300,169	13,582,346	7,676,332
Restricted	1,827,496	2,236,382	0	0	1,827,496	2,236,382
Unrestricted (Deficit)	<u>(8,581,421)</u>	<u>(4,405,283)</u>	<u>63,014</u>	<u>(38,510)</u>	<u>(8,518,407)</u>	<u>(4,443,793)</u>
Total Net Assets	<u>\$ 6,555,041</u>	<u>\$ 5,207,262</u>	<u>\$ 336,394</u>	<u>\$ 261,659</u>	<u>\$ 6,891,435</u>	<u>\$ 5,468,921</u>

Total assets increased by \$1.9 million with governmental assets increasing \$1.8 million and business-type assets increasing \$66,645. A decrease of approximately \$392,197 in total capital assets reflects depreciation exceeding additional purchases and was the majority of the decrease in governmental assets. Total liabilities decreased by \$1.0 million with governmental liabilities comprising that entire amount. This decrease was the result of a decrease in long-term liabilities (outstanding bond debt) of \$1,085,000.

The net assets of the Wadsworth City School District business-type activities increased by \$74,735 or 29%. The major difference in business-type activities is due to the extended day program (bear cub and bridges) offered before and after school for the first time in FY 2003. The difference also reflects the growing Adult/Community education program. The second year of the program had a complete seasonal schedule and additional course offerings. The net assets of the Wadsworth City School District governmental activities increased less than 1%.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the Wadsworth City School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental and Business-Type Activities**

<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 547,225	\$ 979,002	\$ 1,526,227
Operating Grants	1,471,104	176,902	1,648,006
<i>General Revenue:</i>			
Property Taxes	16,631,008	0	16,631,008
Grants and Entitlements	15,923,230	0	15,923,230
Other	679,035	196,170	875,205
	<u>35,251,602</u>	<u>1,352,074</u>	<u>36,603,676</u>
<b>Program Expenses</b>			
Instruction	19,178,466	0	19,178,466
Support Services	12,073,062	0	12,073,062
Operation of Non-Instructional	186,798	0	186,798
Extracurricular Activities	770,230	0	770,230
Interest and Fiscal Charges	1,695,267	0	1,695,267
Food Service	0	1,080,750	1,080,750
Uniform School Supplies	0	25,166	25,166
Vocational Education	0	108,136	108,136
Adult/Community Education	0	6,714	6,714
Bear Cub Academy/Bridges	0	56,573	56,573
	<u>33,903,823</u>	<u>1,277,339</u>	<u>35,181,162</u>
<b>Total Expenses</b>	<u>33,903,823</u>	<u>1,277,339</u>	<u>35,181,162</u>
Increase (Decrease) in Net Assets	<u>\$ 1,347,779</u>	<u>\$ 74,735</u>	<u>\$ 1,422,514</u>

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

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**Governmental Activities**

Information about the Wadsworth City School District's major funds starts on page 15.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$33.4 million and expenditures of \$33.3 million. Comparisons to 2002 have not been made since they are not available.

**(Table 3)**  
**Governmental Activities**

	2003	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 19,178,466	\$ 18,428,336
Support Services:		
Pupil and Instructional Staff	3,106,193	2,592,984
Board of Education, Administration, Fiscal and Business	3,269,128	3,007,394
Operation and Maintenance of Plant	3,258,734	3,258,734
Pupil Transportation	1,126,324	1,126,237
Central	1,312,683	1,246,942
Operation of Non-Instructional	186,798	17,513
Extracurricular Activities	770,230	512,087
Interest and Fiscal Charges	1,695,267	1,695,267
Total Expenses	\$ 33,903,823	\$ 31,885,494

Instruction and student support services comprise 92% of governmental program expenses. Interest/fiscal charges were 5%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of plant accounts for 13% of governmental program expenses.

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

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

**Business-Type Activities**

Business-type activities include our Adult/Community education programs, the food service operation, extended day program, and the sale of uniform school supplies. These programs had revenues of \$1,352,074 and expenses of \$1,277,339 for fiscal year 2003. As discussed earlier the extended day program was in its initial year in fiscal year 2003. The program saw an expanded schedule and an increase in course offerings. Business activities receive no support from tax revenues.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2003, the Wadsworth City School District did modify its general fund budget. The Wadsworth City School District uses site-based budgeting and budgeting system which are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$29,211,891, under the original budget estimates of \$29,760,067. This difference is insignificant.

Final appropriations of \$29,283,870, were \$295,131 lower than the \$29,579,001, in the original budget, also an insignificant difference.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2003, the Wadsworth City School District had \$43.7 million invested in land, buildings, equipment, and textbooks. A total of \$43.5 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2003 balances compared with 2002.

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land and Improvements	\$ 1,098,615	\$ 1,098,615	\$ 0	\$ 0	\$ 1,098,615	\$ 1,098,615
Land Improvements	1,504,950	1,430,661	0	0	1,504,950	1,430,661
Buildings and Improvements	35,229,355	29,491,527	0	0	35,229,355	29,491,527
Furniture and Equipment	3,354,687	3,701,471	273,380	300,169	3,628,067	4,001,640
Vehicles	756,632	882,155	0	0	756,632	882,155
Textbooks	777,937	874,033	0	0	777,937	874,033
Construction in Progress	746,773	6,382,684	0	0	746,773	6,382,684
<b>Totals</b>	<b>\$ 43,468,949</b>	<b>\$ 43,861,146</b>	<b>\$ 273,380</b>	<b>\$ 300,169</b>	<b>\$ 43,742,329</b>	<b>\$ 44,161,315</b>

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
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The \$418,986 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required Wadsworth City School Districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2003, this amounted to \$601,592 for each set aside. The Wadsworth City School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the Wadsworth City School District disbursed \$571,916. The District also had \$2,657,799 of excess qualifying textbook disbursements from prior years, which was applied to the remainder of the set-aside requirement. Excess textbook expenditures of \$2,628,122 will be carried over to offset future textbook set-aside requirements.

**Debt**

At June 30, 2003, the Wadsworth City School District had \$33,699,983 in bonds outstanding with \$1,145,000 due within one year. During fiscal year 2003, \$1,085,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	<u>Governmental Activities 2003</u>	<u>Governmental Activities 2002</u>
General Obligation Bonds:		
1998 School Improvements	\$ 13,179,986	\$ 13,624,986
1999 School Improvements	12,014,997	12,289,997
2000 School Improvements	2,065,000	2,135,000
2001 Library Improvements	5,240,000	5,435,000
Energy Conservation Improvements	<u>1,200,000</u>	<u>1,300,000</u>
Totals	<u><u>\$ 33,699,983</u></u>	<u><u>\$ 34,784,983</u></u>

In 1997, the Wadsworth City School District passed a bond issue providing \$30,000,000 for the construction of a new Middle School, two new elementary schools, classroom additions at the high school, and the refurbishing of the former Middle School (now known as the Intermediate School).

***Current Issues***

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

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

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

Thus, Wadsworth City School Districts dependence upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47% of revenues for governmental activities for the Wadsworth City School District in fiscal year 2002.

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

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

The Wadsworth City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the Wadsworth City School District. Another Wadsworth City School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2003. How the legislature plans to fund education programs during a weakened economy remains a concern.

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

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

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*

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***Contacting the Wadsworth City School District's Financial Management***

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

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**Wadsworth City School District***Statement of Net Assets**June 30, 2003*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,913,971	\$ 172,054	\$ 6,086,025
Receivables:			
Taxes	18,636,523	0	18,636,523
Accounts	6,601	0	6,601
Accrued Interest	3,959	0	3,959
Intergovernmental	151,572	25,668	177,240
Inventory Held For Resale	0	20,540	20,540
Nondepreciable Capital Assets	1,098,615	0	1,098,615
Depreciable Capital Assets (Net)	42,370,334	273,380	42,643,714
<i>Total Assets</i>	<u>68,181,575</u>	<u>491,642</u>	<u>68,673,217</u>
<b>Liabilities</b>			
Accounts Payable	99,921	5,361	105,282
Accrued Wages and Benefits	2,559,739	21,965	2,581,704
Intergovernmental Payable	854,505	48,664	903,169
Deferred Revenue	17,120,740	0	17,120,740
Claims Payable	202,491	0	202,491
Long Term Liabilities:			
Due Within One Year	1,907,326	0	1,907,326
Due Within More Than One Year	38,881,812	79,258	38,961,070
<i>Total Liabilities</i>	<u>61,626,534</u>	<u>155,248</u>	<u>61,781,782</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	13,308,966	273,380	13,582,346
Restricted for:			
Capital Projects	410,159	0	410,159
Debt Service	1,146,515	0	1,146,515
Other Purposes	270,822	0	270,822
Unrestricted	(8,581,421)	63,014	(8,518,407)
<i>Total Net Assets</i>	<u>\$ 6,555,041</u>	<u>\$ 336,394</u>	<u>\$ 6,891,435</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			
Current:			
Instruction:			
Regular	\$ 15,474,290	\$ 109,958	\$ 155,764
Special	2,087,352	0	319,555
Vocational	1,374,871	0	164,853
Adult Continuing	429	0	0
Other	241,524	0	0
Support Services:			
Pupils	1,866,419	0	257,331
Instructional Staff	1,239,774	0	255,878
Board of Education	212,147	0	1,767
Administration	1,615,420	179,124	80,843
Fiscal	1,440,300	0	0
Business	1,261	0	0
Operation and Maintenance of Plant	3,258,734	0	0
Pupil Transportation	1,126,324	0	87
Central	1,312,683	0	65,741
Operation of Non-instructional Services	186,798	0	169,285
Extracurricular Activities	770,230	258,143	0
Debt Service:			
Interest and Fiscal Charges	1,695,267	0	0
<i>Total Governmental Activities</i>	<u>33,903,823</u>	<u>547,225</u>	<u>1,471,104</u>
<b>Business-Type Activities</b>			
Food Service	1,080,750	892,678	176,902
Uniform School Supplies	25,166	20,600	0
Vocational Education	108,136	198,177	0
Adult/Community Education	6,714	4,980	0
Bear Cub Academy/Bridges	56,573	60,744	0
<i>Total Business-Type Activities</i>	<u>1,277,339</u>	<u>1,177,179</u>	<u>176,902</u>
<i>Totals</i>	<u>\$ 35,181,162</u>	<u>\$ 1,724,404</u>	<u>\$ 1,648,006</u>

**General Revenues**

Property Taxes Levied for:

General Purposes  
Debt Service  
Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings  
Miscellaneous  
Gain on Sale of Capital Assets  
Net Transfers

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (15,208,568)	\$ 0	\$ (15,208,568)
(1,767,797)	0	(1,767,797)
(1,210,018)	0	(1,210,018)
(429)	0	(429)
(241,524)	0	(241,524)
(1,609,088)	0	(1,609,088)
(983,896)	0	(983,896)
(210,380)	0	(210,380)
(1,355,453)	0	(1,355,453)
(1,440,300)	0	(1,440,300)
(1,261)	0	(1,261)
(3,258,734)	0	(3,258,734)
(1,126,237)	0	(1,126,237)
(1,246,942)	0	(1,246,942)
(17,513)	0	(17,513)
(512,087)	0	(512,087)
<u>(1,695,267)</u>	<u>0</u>	<u>(1,695,267)</u>
<u>(31,885,494)</u>	<u>0</u>	<u>(31,885,494)</u>
0	(11,170)	(11,170)
0	(4,566)	(4,566)
0	90,041	90,041
0	(1,734)	(1,734)
<u>0</u>	<u>4,171</u>	<u>4,171</u>
<u>0</u>	<u>76,742</u>	<u>76,742</u>
<u>(31,885,494)</u>	<u>76,742</u>	<u>(31,808,752)</u>
13,623,236	0	13,623,236
2,469,705	0	2,469,705
538,067	0	538,067
15,923,230	0	15,923,230
105,838	0	105,838
704,949	0	704,949
(120,952)	(2,007)	(122,959)
<u>(10,800)</u>	<u>0</u>	<u>(10,800)</u>
33,233,273	(2,007)	33,231,266
1,347,779	74,735	1,422,514
<u>5,207,262</u>	<u>261,659</u>	<u>5,468,921</u>
<u>\$ 6,555,041</u>	<u>\$ 336,394</u>	<u>\$ 6,891,435</u>

**Wadsworth City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,221,187	\$ 819,351	\$ 1,029,991	\$ 5,070,529
Cash and Cash Equivalents:				
Restricted Cash	0	23,471	0	23,471
Receivables:				
Taxes	15,486,915	2,542,431	607,177	18,636,523
Accounts	6,601	0	0	6,601
Interfund	0	82,747	0	82,747
Accrued Interest	3,959	0	0	3,959
Intergovernmental	0	0	151,572	151,572
<i>Total Assets</i>	<u>\$ 18,718,662</u>	<u>\$ 3,468,000</u>	<u>\$ 1,788,740</u>	<u>\$ 23,975,402</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 77,095	\$ 0	\$ 22,826	\$ 99,921
Accrued Wages and Benefits	2,509,916	0	49,823	2,559,739
Interfund Payable	0	0	82,747	82,747
Intergovernmental Payable	563,391	0	10,951	574,342
Deferred Revenue	14,731,102	2,409,027	673,264	17,813,393
<i>Total Liabilities</i>	17,881,504	2,409,027	839,611	21,130,142
<b>Fund Balances</b>				
Reserved for Encumbrances	578,676	0	474,946	1,053,622
Reserved for Tax Revenue Unavailable for Appropriation	755,813	133,404	25,993	915,210
Undesignated, Unreserved Reported in:				
General Fund	(497,331)	0	0	(497,331)
Special Revenue Funds	0	0	421,927	421,927
Debt Service Fund	0	925,569	0	925,569
Capital Projects Funds	0	0	26,263	26,263
<i>Total Fund Balances</i>	<u>837,158</u>	<u>1,058,973</u>	<u>949,129</u>	<u>2,845,260</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 18,718,662</u>	<u>\$ 3,468,000</u>	<u>\$ 1,788,740</u>	<u>\$ 23,975,402</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2003*

Total Governmental Fund Balances		\$ 2,845,260
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,468,949
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	92,080	
Delinquent Property Taxes	600,573	692,653
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		617,480
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(35,399,983)	
Compensated Absences	(3,871,125)	
Early Retirement Incentive Payable	(1,518,030)	
Intergovernmental Payable	(280,163)	(41,069,301)
 Net Assets of Governmental Activities		 \$ 6,555,041

**Wadsworth City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 13,542,725	\$ 2,464,416	\$ 537,751	\$ 16,544,892
Intergovernmental	15,407,706	312,181	1,667,646	17,387,533
Investment income	70,779	16,570	7,816	95,165
Tuition and fees	109,958	0	0	109,958
Extracurricular activities	0	0	437,267	437,267
Miscellaneous	76,342	165,625	32,536	274,503
<i>Total Revenues</i>	29,207,510	2,958,792	2,683,016	34,849,318
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	14,017,120	0	254,842	14,271,962
Special	1,823,149	0	278,644	2,101,793
Vocational	1,198,836	0	154,904	1,353,740
Other	250,783	0	0	250,783
Support services:				
Pupils	1,521,306	0	261,933	1,783,239
Instructional staff	1,033,031	0	237,416	1,270,447
Board of education	210,493	0	1,654	212,147
Administration	2,177,044	0	254,594	2,431,638
Fiscal	501,706	39,147	11,608	552,461
Business	1,309	0	0	1,309
Operation and maintenance of plant	3,401,577	0	0	3,401,577
Pupil transportation	1,083,921	0	563	1,084,484
Central	1,386,221	0	44,172	1,430,393
Operation of non-instructional services	5,915	0	154,126	160,041
Extracurricular activities	508,813	0	283,661	792,474
Capital outlay	33,366	0	933,282	966,648
Debt service:				
Principal retirement	0	1,085,000	0	1,085,000
Interest and fiscal charges	0	1,686,897	8,370	1,695,267
<i>Total Expenditures</i>	29,154,590	2,811,044	2,879,769	34,845,403
<i>Excess of Revenues Over (Under) Expenditures</i>	52,920	147,748	(196,753)	3,915
<b>Other Financing Sources (Uses):</b>				
Proceeds from sales of fixed assets	10,150	0	0	10,150
Operating transfers in	0	0	5,000	5,000
Operating transfers out	(15,800)	0	0	(15,800)
<i>Total Financing Sources and (Uses)</i>	(5,650)	0	5,000	(650)
<i>Net Change in Fund Balance</i>	47,270	147,748	(191,753)	3,265
<i>Fund balance at beginning of year</i>	789,888	911,225	1,140,882	2,841,995
<i>Fund balance at end of year</i>	\$ 837,158	\$ 1,058,973	\$ 949,129	\$ 2,845,260

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Reconciliation of the Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

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Net Change in Fund Balances - Total Governmental Funds	\$	3,265
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*Amounts reported for governmental activities in the statement of activities are different because:*

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

Fixed Asset Additions	1,341,016	
Current Year Depreciation	<u>(1,591,960)</u>	(250,944)

Net effect of transactions involving sale of capital assets are not reflected in the funds.		(141,253)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	6,799	
Delinquent Property Taxes	<u>86,117</u>	92,916

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

Bond Principal		1,085,000
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Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(155,384)	
Early Retirement Incentive	289,873	
Pension Obligation	<u>(16,813)</u>	117,676

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

		<u>441,119</u>
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	\$	<u><u>1,347,779</u></u>
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Change in Net Assets of Governmental Activities

**Wadsworth City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 15,273,000	\$ 13,467,611	\$ 13,467,611	\$ 0
Intergovernmental	14,220,635	15,407,706	15,407,706	0
Investment Income	69,064	74,829	74,829	0
Tuition and Fees	122,168	132,366	130,682	(1,684)
Rentals	52,139	56,491	0	(56,491)
Miscellaneous	23,061	24,986	77,883	52,897
<i>Total Revenues</i>	<u>29,760,067</u>	<u>29,163,989</u>	<u>29,158,711</u>	<u>(5,278)</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	16,744,395	16,556,467	16,556,467	0
Support Services				
Pupils	1,458,462	1,442,093	1,442,093	0
Instructional Staff	1,037,659	1,026,014	1,026,014	0
Board of Education	229,330	226,756	226,756	0
Administration	2,511,004	2,482,822	2,482,822	0
Fiscal	621,431	614,456	614,456	0
Business	1,324	1,309	1,309	0
Operation and Maintenance of Plant	3,691,202	3,649,774	3,649,774	0
Pupil Transportation	1,251,816	1,237,766	1,237,766	0
Central	1,479,395	1,462,791	1,462,791	0
Extracurricular Activities	505,796	500,119	500,119	0
Capital Outlay	47,187	46,657	46,657	0
<i>Total Expenditures</i>	<u>29,579,001</u>	<u>29,247,024</u>	<u>29,247,024</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	181,066	(83,035)	(88,313)	(5,278)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	0	0	10,150	10,150
Refund of Prior Year Expenditures	0	43,030	43,030	0
Other Financing Sources	0	4,872	0	(4,872)
Refund of Prior Year Receipts	0	(21,047)	(21,047)	0
Operating Transfers Out	0	(15,800)	(15,800)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>11,055</u>	<u>16,333</u>	<u>5,278</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	181,066	(71,980)	(71,980)	0
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,249,582	2,249,582	2,636,648	387,066
Prior Year Encumbrances Appropriated	387,065	387,065	774,130	387,065
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,817,713</u>	<u>\$ 2,564,667</u>	<u>\$ 3,338,798</u>	<u>\$ 774,131</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2003*

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	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	<hr/>	<hr/>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 172,054	\$ 819,971
Intergovernmental Receivable	25,668	0
Inventory Held For Resale	20,540	0
Depreciable Capital Assets (Net)	273,380	0
	<hr/>	<hr/>
<i>Total Assets</i>	491,642	819,971
	<hr/>	<hr/>
<b>Liabilities</b>		
Accounts Payable	5,361	0
Accrued Wages and Benefits	21,965	0
Compensated Absences Payable	79,258	0
Intergovernmental Payable	48,664	0
Claims Payable	0	202,491
	<hr/>	<hr/>
<i>Total Current Liabilities</i>	155,248	202,491
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	273,380	0
Unrestricted	63,014	617,480
	<hr/>	<hr/>
<b>Total Net Assets</b>	<u>\$ 336,394</u>	<u>\$ 617,480</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2003*

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Operating Revenues:</b>		
Tuition	\$ 65,724	\$ 0
Sales	913,278	0
Charges for services	198,177	2,702,775
Other operating revenues	<u>0</u>	<u>0</u>
<i>Total Operating Revenues</i>	<u>1,177,179</u>	<u>2,702,775</u>
<b>Operating Expenses:</b>		
Salaries	499,928	0
Fringe benefits	158,320	0
Purchased services	8,772	263,762
Materials and supplies	569,319	0
Depreciation	29,168	0
Capital outlay	11,832	0
Claims	<u>0</u>	<u>2,008,567</u>
<i>Total Operating Expenses</i>	<u>1,277,339</u>	<u>2,272,329</u>
Operating income (loss)	<u>(100,160)</u>	<u>430,446</u>
<b>Non-Operating Revenues (Expenses):</b>		
Operating grants	176,902	0
Proceeds from sale of fixed assets	(2,007)	0
Interest	<u>0</u>	<u>10,673</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>174,895</u>	<u>10,673</u>
<i>Change in Net Assets</i>	74,735	441,119
<i>Net Assets Beginning of Year</i>	<u>261,659</u>	<u>176,361</u>
<i>Net Assets End of Year</i>	<u>\$ 336,394</u>	<u>\$ 617,480</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Customers	\$ 1,139,734	\$ 0
Cash Received from Quasi-External Transactions with Other Funds	0	2,718,584
Cash Paid for Goods and Services	(594,636)	(263,762)
Cash Paid to Employees	(654,798)	0
Cash Paid for Claims	0	(1,946,557)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(109,700)</u>	<u>508,265</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Interest Income	0	10,673
Operating Grants Received	176,902	0
<i>Net Cash Provided By Non-Capital Activities</i>	<u>176,902</u>	<u>10,673</u>
<b>Cash Flows From Capital and Related Activities:</b>		
Proceeds From Sale of Property	529	0
Payment for Capital Acquisitions	(4,915)	0
<i>Net Cash Used For Capital and Related Financing Activities</i>	<u>(4,386)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	62,816	518,938
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>109,238</u>	<u>301,033</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 172,054</u>	<u>\$ 819,971</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>		
Operating Income (Loss)	\$ (100,160)	\$ 430,446
Adjustments:		
Depreciation	29,168	0
(Increase) Decrease Assets		
Accounts Receivable	0	15,809
Intergovernmental Receivable	(25,668)	0
Inventory	(4,950)	0
Increase (Decrease) in Liabilities		
Accounts Payable	(9,031)	0
Accrued Wages and Benefits	1,022	0
Compensated Absences Payable	2,428	0
Due to Other Governments	9,268	0
Deferred Revenue	(11,777)	0
Claims Payable	0	62,010
<i>Total Adjustments</i>	<u>(9,540)</u>	<u>77,819</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (109,700)</u>	<u>\$ 508,265</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2003*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 133,778</u>
<b>Liabilities</b>	
Accounts Payable	\$ 3,083
Accrued Wages	9,415
Compensated Absences Payable	7,724
Intergovernmental Payable	2,013
Undistributed Monies	<u>111,543</u>
<i>Total Liabilities</i>	<u>\$ 133,778</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**NOTE 1 – DESCRIPTION OF THE DISTRICT**

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

The District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the District's eight instructional/support facilities staffed by 226 noncertificated employees and 293 certificated full-time teaching personnel who provide services to 4,514 students and other community members.

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

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", under which the financial statements include all the organizations, activities, functions and component units for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Management has determined the District has no component units.

On this basis, the combined financial statements include all of the funds and account groups of the District over which the Board of Education exercises operating control.

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

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

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

***B. Fund Accounting***

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

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

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

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

**Enterprise Funds** Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the District 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 (b) where the District 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 Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program for employee prescription drug benefits.

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

### **C. Measurement Focus**

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

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2003, the District had investments in STAROhio, (the State Treasurer's Investment Pool).

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue has been credited to the general fund, education fund (special revenue), district managed student activity fund (special revenue), auxiliary services fund (special revenue), bond fund (debt service), permanent improvement fund (capital projects), construction fund (capital projects), food service fund (enterprise) and the employee benefits self-insurance fund (internal service). Interest credited to these funds during fiscal year 2003 amounted to \$105,838.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, 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. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. At year end the District did not have any inventory in its governmental funds, (inventories of the enterprise fund are expensed when used).

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 23 for additional information regarding set asides.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

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

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

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***J. Compensated Absences***

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

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

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

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

***L. Net Assets***

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

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

***M. Fund Balance Reserves***

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, and textbook purchases.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute

***N. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are tuition for adult education classes, sales for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

***O. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

***P. Estimates***

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

***Q. Budgetary Data***

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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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. Throughout the fiscal year, the primary level of budgetary control was at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Medina County Budget Commission for rate determination.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal 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 July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

***Appropriations*** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND  
BALANCES/NET ASSETS**

***Changes in Accounting Principles*** For fiscal year 2003, the District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No.6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2003

accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**Restatement of Fund Balance** The following describes the transition from governmental fund balance to net assets of the governmental activities.

	General	Debt Service	Permanent Improvement Capital Projects	Nonmajor	Total
Fund Balances, June 30, 2002	\$ 789,888	\$ 911,225	\$ 681,048	\$ 459,834	\$ 2,841,995
GASB 34 Adjustments:					
Capital Assets					43,861,146
Early Retirement Incentive					(1,807,903)
Compensated Absences					(3,715,741)
Internal Service Fund					176,361
Pension Obligations					(263,350)
Long-Term (Deferred) Assets					599,737
Long-Term Liabilities					(36,484,983)
Governmental Activities Net Assets, June 30, 2002					\$ 5,207,262

**NOTE 4 – FUND DEFICITS**

Fund balances/net assets at June 30, 2003 included the following individual fund deficits:

	Deficit
Other Governmental Funds:	
Career Development Fund	\$ (5,054)
C. Perkins Compact Fund	(62,710)

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<b>Net Change in Fund Balance</b>	
	<u>General</u>
GAAP Basis	\$ 47,270
Net Adjustment for Revenue Accruals	(5,769)
Net Adjustment for Expenditure Accruals	542,292
Adjustment for Encumbrances	<u>(655,773)</u>
Budget Basis	<u>\$ (71,980)</u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2003

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

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 fiscal year-end, the carrying amount of the District's deposits was \$1,294,661 and the bank balance was \$1,704,312. Of the bank balance:

1. \$283,362 of the bank balance was covered by depository insurance; and
2. \$1,420,950 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments** GASB Statement No. 3 requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District'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 District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement #9	\$ 6,219,803	\$ 0
Investments of the Cash Management Pool:		
Star Ohio	(4,923,251)	4,923,251
Cash on Hand	(1,891)	0
GASB Statement #3	\$ 1,294,661	\$ 4,923,251

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2002, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25% of true value.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	Amount	%
Real Property - 2003		
Residential/Agricultural	\$ 395,042,370	71.85%
Commercial/Industrial	80,305,500	14.61%
Public Utilities	11,410	0.00%
Minerals	55,250	0.01%
Tangible Personal Property - 2002		
General	51,493,077	9.37%
Public Utilities	22,881,020	4.16%
Total Valuation	<u>\$ 549,788,627</u>	<u>100.00%</u>

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. This year the June 2003 tangible personal property tax settlement was not received until July of 2003.

The District receives property taxes from Medina County. The County Auditor periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2003, was \$915,210 and is recognized as revenue. \$755,813 was available to the general fund, \$133,404 was available to the bond retirement debt service fund, and \$25,993 was available to the capital projects permanent improvement fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables as of June 30, 2003:

Governmental Activities:	
Title I	\$ 17,507
Drug Free School Grant	12,706
Title II-A	43,261
IDEA - Part B	28,000
Carl Perkins 2003	42,883
Technology II-D	<u>7,215</u>
Total Governmental Activities	151,572
 Business-Type Activities:	
Food Service	<u>25,668</u>
Total Business-Type Activities	<u>25,668</u>
 Total	<u><u>\$ 177,240</u></u>

**Wadsworth City School District**  
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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 6/30/02	Additions	Reductions	Balance 6/30/03
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,098,615	\$ 0	\$ 0	\$ 1,098,615
 <i>Capital Assets, being depreciated:</i>				
Land improvements	1,857,596	151,218	(46,254)	1,962,560
Buildings and improvements	43,186,514	6,401,544	(253,082)	49,334,976
Furniture and equipment	8,304,621	413,968	(909,040)	7,809,549
Vehicles	1,808,211	10,197	(16,560)	1,801,848
Textbooks	1,667,452	0	0	1,667,452
Construction in progress	6,382,684	755,555	(6,391,466)	746,773
Total Capital Assets, being depreciated	63,207,078	7,732,482	(7,616,402)	63,323,158
 Less Accumulated Depreciation:				
Land improvements	(426,935)	(72,304)	41,629	(457,610)
Buildings and improvements	(13,694,987)	(623,373)	212,739	(14,105,621)
Furniture and equipment	(4,603,150)	(669,864)	818,152	(4,454,862)
Vehicles	(926,056)	(130,323)	11,163	(1,045,216)
Textbooks	(793,419)	(96,096)	0	(889,515)
Total Accumulated Depreciation	(20,444,547)	(1,591,960)	1,083,683	(20,952,824)
 Total Capital Assets being depreciated, net	42,762,531	6,140,522	(6,532,719)	42,370,334
 <i>Governmental Activities Capital Assets, Net</i>				
	\$ 43,861,146	\$ 6,140,522	\$ (6,532,719)	\$ 43,468,949
 <b>Business-Type Activities</b>				
<i>Capital Assets being depreciated</i>				
Furniture and equipment	\$ 656,388	\$ 4,915	\$ (25,358)	\$ 635,945
Less accumulated depreciation	(356,219)	(29,168)	22,822	(362,565)
 <i>Business-Type Activities Capital Assets, Net</i>				
	\$ 300,169	\$ (24,253)	\$ (2,536)	\$ 273,380

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

<b>Governmental Functions:</b>	
Instruction:	
Regular	\$ 1,022,700
Special	4,772
Vocational	45,572
Adult	429
Support Services:	
Pupil	70,840
Instructional Staff	43,375
Administration	26,864
Fiscal	3,745
Operation and Maintenance of Plant	143,535
Central	75,182
Pupil Transportaion	127,127
Operation of Non-Instructional Services	19,053
Extracurricular Activities	8,766
	<u>8,766</u>
Total Depreciation	<u>\$ 1,591,960</u>
 <b>Business-Type Functions:</b>	
Depreciation	<u>\$ 29,168</u>

**NOTE 10 – RISK MANAGEMENT**

***A. Liability Insurance***

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and, natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident and a policy limit of \$114,564,432. The District's vehicle liability insurance policy limit is \$1,000,000 with a \$1,000 collision deductible. All administrators and employees are covered under a District liability policy and an umbrella policy. The combined limits of these coverages are \$7,000,000 per occurrence and \$8,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

***B. Fidelity Bonds***

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

***C. Workers' Compensation***

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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***D. Employee Health Insurance***

The District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the District’s employees and their covered dependents in order to minimize the total cost of annual health care insurance. The District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$2,877,537 per fiscal year with a \$150,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

The claims liability of \$202,491 reported in the fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the District’s third part administrator. A summary of the fund’s claims liability in fiscal years 2002 and 2003 is as follows:

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2002	\$ 180,465	\$ 2,341,754	\$ (2,381,738)	\$ 140,481
2003	\$ 140,481	\$ 2,008,567	\$ (1,946,557)	\$ 202,491

**NOTE 11 – OTHER EMPLOYEE BENEFITS**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for classified employees and 240 days for certified employees. For certified employees, payment is made at the time of termination for 30% of a certified employee’s accumulated sick leave up to 200 days, a benefit of up to 60 days. For classified employees, payment is made at the time of termination for 40% of a classified employee’s accumulated sick leave up to 162 and one-half days, a benefit of up to 65 days. Certified receive \$100 per year until they reach the 60 day cap if retiring after 15 years, for each year with the district. Classified receive 1 day of sick pay until they reach the 65 day cap if retiring after 15 years, for each year with the district.

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That

**Wadsworth City School District**  
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*For the Fiscal Year Ended June 30, 2003*

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report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$659,184, \$618,492, and \$525,280, respectively; 48% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$339,960 represents the unpaid contribution for fiscal year 2003, and is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,137,464, \$1,993,800, and \$1,941,922, respectively; 83% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$10,603 made by the District and \$35,644 made by the plan members. \$367,448 represents the unpaid contribution for fiscal year 2003, and is recorded as a liability within the respective funds.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$152,676 during the 2003 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, the health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2003, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$402,102.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the

**Wadsworth City School District**  
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latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS had approximately 50,000 participants currently receiving health care benefits.

**NOTE 14 – NOTES PAYABLE**

Changes in notes payable of the District from July 1, 2002 through June 30, 2003, were as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Tax Anticipation Notes 3.96%, 2/01 - 12/02	\$ 360,000	\$ 0	\$ 360,000	\$ 0

**NOTE 15 – LONG TERM DEBT OBLIGATIONS**

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

	Outstanding 6/30/02	Additions	Reductions	Outstanding 6/30/03	Amounts Due in One Year
<b>Governmental Activities:</b>					
Notes Payable:					
Tax Anticipation Note (Capital Related) 3.4525%	\$ 1,700,000	\$ 0	\$ 0	\$ 1,700,000	\$ 275,000
General Obligation Bonds:					
School Improvement Bonds-1998 3.75-5.125%, 4/98 - 12/22	13,624,986	0	445,000	13,179,986	465,000
School Improvement Bonds-1999 3.30-5.00%, 4/99 - 12/22	12,289,997	0	275,000	12,014,997	300,000
School Improvement Bonds-2000 4.25-5.75%, 4/00 - 12/22	2,135,000	0	70,000	2,065,000	75,000
Library Improvement Bonds-2001 3.00-5.15%, 12/01 - 12/22	5,435,000	0	195,000	5,240,000	205,000
Energy Conversation Imp Bonds 2001, 5.25%, 12/01 - 12/14	1,300,000	0	100,000	1,200,000	100,000
Total General Obligation Bonds	34,784,983	0	1,085,000	33,699,983	1,145,000
Compensated Absences	3,715,741	3,871,125	3,715,741	3,871,125	36,834
Early Retirement Incentive	1,807,903	607,981	897,854	1,518,030	450,492
Total Governmental Activities Long-Term Liabilities	\$ 42,008,627	\$ 4,479,106	\$ 5,698,595	\$ 40,789,138	\$ 1,907,326
<b>Business-Type Activities</b>					
Compensated Absences	\$ 76,830	\$ 79,258	\$ 76,830	\$ 79,258	\$ 0

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the employee is paid.

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

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Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30	Tax Anticipation Notes	School Improvement Bonds-1998	School Improvement Bonds-1999	School Improvement Bonds-2000	Library Improvement Bonds-2001	House Bill 264 Series 2001
2004	\$ 390,491	\$ 1,097,283	\$ 837,000	\$ 181,855	\$ 425,488	\$ 160,375
2005	387,725	1,096,499	854,550	183,095	423,483	155,125
2006	390,330	1,094,593	870,660	179,155	425,845	149,875
2007	392,380	1,096,431	885,375	180,050	422,555	144,625
2008	388,875	1,109,505	903,455	190,400	423,580	139,375
2009 - 2013	0	5,475,372	4,811,641	913,400	2,120,078	618,125
2014 - 2018	0	5,450,894	5,228,250	892,768	2,110,863	210,500
2019 - 2023	0	5,397,793	5,741,375	878,705	2,089,080	0
Total	1,949,801	21,818,370	20,132,306	3,599,428	8,440,972	1,578,000
Less Interest	(249,801)	(8,638,384)	(8,117,309)	(1,534,428)	(3,200,972)	(378,000)
Principal	\$ 1,700,000	\$ 13,179,986	\$ 12,014,997	\$ 2,065,000	\$ 5,240,000	\$ 1,200,000

**NOTE 16 – THIRD PARTY OBLIGATIONS**

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

At June 30, 2003, Library Improvement Bonds outstanding totaled \$5,240,000.

**Wadsworth City School District**  
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**NOTE 17 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains five enterprise funds: food service, uniform school supplies, vocational education customer service, Bear Cub Academy/Bridge, and adult/community education which are operated on a sales basis. The table below reflects the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 2003:

	Food Service	Uniform School Supplies	Vocational Education Service Center	Adult/ Community Education	Bear Cub Academy/ Bridge	Total
Operating revenues	\$ 892,678	\$ 20,600	\$ 198,177	\$ 4,980	\$ 60,744	\$ 1,177,179
Operating expenses before depreciation	1,051,582	25,166	108,136	6,714	56,573	1,248,171
Depreciation expense	29,168	0	0	0	0	29,168
Operating income (loss)	(188,072)	(4,566)	90,041	(1,734)	4,171	(100,160)
Operating grants/misc	174,895	0	0	0	0	174,895
Net income (loss)	\$ (13,177)	\$ (4,566)	\$ 90,041	\$ (1,734)	\$ 4,171	\$ 74,735
Net working capital	\$ (86,429)	\$ 8,393	\$ 124,382	\$ 12,497	\$ 4,171	\$ 63,014
Total assets	\$ 339,588	\$ 8,393	\$ 125,424	\$ 12,497	\$ 5,740	\$ 491,642
Total equity	\$ 186,951	\$ 8,393	\$ 124,382	\$ 12,497	\$ 4,171	\$ 336,394
Encumbrances at June 30, 2003	\$ 19,975	\$ 500	\$ 15,958	\$ 0	\$ 0	\$ 36,433

**NOTE 18 – CONSTRUCTION COMMITMENTS**

The following construction commitments at June 30, 2003 will be financed with capital project funds revenues:

Project	Total Authorized Cost	Expended to June 30, 2003	Balance at June 30, 2003
Central Intermediate	\$ 6,641,212	6,391,465	\$ 249,747
Art Wright Stadium South Field House	753,236	746,774	6,462

**NOTE 19 – DEFERRED REVENUE**

Deferred revenue at 6/30/03 consisted of the following:

	Entity-Wide Statements	Balance Sheet
Property Taxes Receivable	\$ 17,120,740	\$ 17,721,313
Grants Receivable	0	92,080
	<u>\$ 17,120,740</u>	<u>\$ 17,813,393</u>

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 20 – INTERFUND TRANSACTIONS**

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2003 are as follows:

Fund	Interfund Receivable	Interfund Payable
Debt Service	\$ 82,747	\$ 0
Other Governmental Funds	0	82,747
Total	\$ 82,747	\$ 82,747

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2003, all interfund payables outstanding are anticipated to be repaid in fiscal year 2004.

The following is a summarized breakdown of the District’s operating transfers for fiscal year 2003:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ (15,800)
Other Governmental Funds	5,000	0
Agency	10,800	0
Total	\$ 15,800	\$ (15,800)

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

**NOTE 21 – JOINTLY GOVERNED ORGANIZATION**

***Midland Council of Governments***

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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***Four Cities Educational Compact***

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

**NOTE 22 – RELATED ORGANIZATIONS**

The Ella M. Everhard Public Library (the “Library”) is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the tax authority for the Library. Once the Library determines to present a levy to the voters, including the determination to the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2003. In 2000 the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$5,599,995. The electors of the District approved the levy. See Note 16 for additional disclosures regarding the bond issue.

**NOTE 23 - CONTINGENCIES**

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

Litigation

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

**NOTE 24 – SET ASIDES**

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

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2002	\$ 235,677	\$ 0	\$ 0	\$ 235,677
Set-Aside Carryover Balance as of June 30, 2002	0	0	(2,657,798)	(2,657,798)
Current Year Set-Aside Requirement	0	601,592	601,592	1,203,184
Board Resolution	(235,677)	0	0	(235,677)
Qualifying Disbursements	0	(1,451,711)	(571,916)	(2,023,627)
Total	<u>\$ 0</u>	<u>\$ (850,119)</u>	<u>\$ (2,628,122)</u>	<u>\$ (3,478,241)</u>
Cash Balance Carried Forward FY 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Amount to Restrict for Set-Asides				<u>\$ 0</u>
Total Restricted Assets				<u>\$ 0</u>

The District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The excess qualifying textbook disbursements may be used to reduce the set-aside requirement in future fiscal years. During fiscal year 2003, the Board of Education passed a resolution to return the Budget Stabilization Reserve to the General Fund.

**NOTE 25 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “ the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 4, 2003

The Board of Education  
Wadsworth City School District  
Wadsworth, Ohio 44281

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District, as of and for the year then ended June 30, 2003, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2003 which included an explanatory paragraph regarding the accounting change to GASB 34. 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 Wadsworth City School District's basic 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*.

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

In planning and performing our audit, we considered Wadsworth City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic 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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Wadsworth City School District in a separate letter dated December 4, 2003.

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 4, 2003

The Board of Education  
Wadsworth City School District  
Wadsworth, Ohio 44281

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### **Compliance**

We have audited the compliance of Wadsworth City School District with the type of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Wadsworth City School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Wadsworth City School District's management. Our responsibility is to express an opinion on Wadsworth City School District's compliance based on our audit.

We conducted our audit of compliance with those requirements 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 material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wadsworth City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wadsworth City School District's compliance with those requirements.

In our opinion, Wadsworth City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

**Internal Control over Compliance**

The management of Wadsworth City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wadsworth City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133.

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.

**Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 4, 2003 which included an explanatory paragraph regarding the accounting change to GASB 34. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**WADSWORTH CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>					
Eisenhower Professional Development	84.281	MS-SI-02	\$ 760 (C)	\$ 8,365	\$ 0
Eisenhower Professional Development	84.281	MS-SI-01	0	2,012	0
Total Eisenhower Professional Development			760	10,377	0
Title V - Innovative Programs	84.298	C2-S1-03	25,640	24,378	0
Title VI	84.298	C2-SI-02	0	51	0
Title VI	84.298	C2-SI-99C	0	160	0
Total Title VI & Title V			25,640	24,589	0
Title I	84.010	C1-S1-03	315,840	282,061	0
Title I	84.010	C1-S1-02	0	12,096	0
Total Title I			315,840	294,157	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-03	8,819	14,266	0
Safe and Drug-Free Schools and Communities	84.186	DR-SI-02	0	3,895	0
Safe and Drug-Free Schools and Communities	84.186	DR-SI-01	(357) (C)	0	0
Total Safe and Drug-Free Schools and Communities			8,462	18,161	0
Title VI-R	84.340	CR-SI-01	5,932	5,932	0
Total Title VI-R			5,932	5,932	0
Title II-A	84.367	TR-S1-03	100,250	118,669	0
Total Title II-A			100,250	118,669	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2003P	351,546	325,966	0
IDEA-B	84.027	6B-SD-2003P	12,000	12,000	0
IDEA-B	84.027	6B-SF-2002P	1,440	4,592	0
* Total IDEA-B			364,986	342,558	0
Preschool Disability Grants	84.173	PG-S1-2003P	14,834 (D)	15,401	0
Preschool Disability Grants	84.173	PG-S1-2002P	(7,033)	0	0
* Total Preschool Disability Grants			7,801	15,401	0
Total Special Education Cluster			372,787	357,959	0
Carl Perkins - Vocational Education	84.048	20-C1-2003	185,771	224,779	0
Carl Perkins - Vocational Education	84.048	20-C1-2002	29,515	7,241	0
Total Vocational Education			215,286	232,020	0
Ohio LPDC Phase III	84.336	QE-S1-2002	0	2,007	0
Total Ohio LPDC Phase III			0	2,007	0
Title II-D - Technology	84.318	TJ-S1-2003	1,584	312	0
Total Title II-D - Technology			1,584	312	0
Asst. Tech Infusion Project	84.352A	AT-S2-2002	445	445	0
Asst. Tech Infusion Project	84.352A	AT-S3-2002	10,204	8,810	0
Total Asst. Tech Infusion Project			10,649	9,255	0
Total Department of Education			1,057,190	1,073,438	0
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		27,813	0	39,590
School Breakfast Program (B)	10.553		12,065	12,065	0
National School Lunch Program (B)	10.555		158,460	158,460	0
Total Department of Agriculture: Nutrition Cluster			198,338	170,525	39,590
Total Federal Assistance			\$ 1,255,528	\$ 1,243,963	\$ 39,590

(\*) Denotes a major program

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

(C) Refund prior year receipts subtracted from the receipts column.

(D) Balance transferred from prior year grant to FY03 grant.

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None were noted

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

None were noted





**Auditor of State  
Betty Montgomery**

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**WADSWORTH CITY SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2004**