

CITY OF WADSWORTH, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

City Council
City of Wadsworth
120 Maple Street
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the City of Wadsworth, Medina County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 6, 2008

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**CITY OF WADSWORTH, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007**

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INDEPENDENT AUDITOR'S REPORT

To Members of City Council
City of Wadsworth, Ohio

The Honorable Mary Taylor
Auditor of State
State of Ohio

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 the City of Wadsworth, Medina County, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wadsworth, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of December 31, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Income Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the City of Wadsworth, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wadsworth, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Wadsworth, Ohio. The Schedule of Expenditures of Federal Awards 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.


James G. Zupka, CPA, Inc.
Certified Public Accountants

September 29, 2008

City of Wadsworth, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of the City of Wadsworth financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

The City's key financial highlights for 2007 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2007, by \$94.4 million (net assets). Unrestricted net assets in the amount of \$11.4 million are available to meet the City's ongoing obligations to citizens and creditors. The City's net assets related to governmental activities amounted to \$49.2 million, while net assets related to business-type activities amounted to \$45.2 million.
- Total net assets for the year increased by \$3.7 million or slightly more than 4.0%. Net assets for business-type activities increased 4.0% while those related to governmental activities also increased 4.0%.
- The City's total revenues amounted to \$56.0 million in 2007, of which \$19.3 million related to governmental activities and \$36.7 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$42.2 million or 75.3% of total revenues.
- The City had \$52.3 million in expenses in 2007, \$16.7 million of which were for governmental activities and \$35.6 million for business-type activities.
- Among major funds, the General Fund had \$5.3 million in revenues (excluding transfers-in) and \$8.9 million in expenditures in 2007.
- The General Fund's balance decreased to \$3.8 million, a decrease of \$225,287 from the beginning 2007 balance primarily due to an 83.2% reduction in interfund receivables. The General Fund balance was 71.0% of total General Fund revenues.
- During 2007, the City's total long-term obligations increased from \$30.2 million to \$35.7 million. This increase of \$5.5 million was mostly due to additional OWDA loan draws for improvements to the waste water treatment plant.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Wadsworth as a financial whole.

The Statement of Net Assets and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The Proprietary Funds' statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City of Wadsworth as a Whole

Statement of Net Assets and Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2007"? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This is important, as it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base and the condition of the City's needs will also need to be evaluated.

- *The Statement of Net Assets.* This Statement (page 11) reports all assets and liabilities of the City as of December 31, 2007. The difference between total assets and total liabilities is reported as net assets. Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This Statement (page 12) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2007. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

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

Governmental Activities – The reporting of services including public safety, administration and all departments, with the exception of the Sewer Fund, Water Fund, Electric Fund, Sanitation Fund and Telecommunications, which are reported as Business-Type Activities.

Business-Type Activities – The City reports the activity of services (Sewer, Water, Electric, Telecommunications and Sanitation) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

Reporting the City of Wadsworth's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the City's major funds. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds and fiduciary funds.

- ***Governmental Funds.*** Governmental funds are used to account for "Government-Type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of current financial resources" measurement focus and a "modified accrual" basis of accounting. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources". Decreases in spendable resources are reported as expenditures or other financing uses. Income taxes, property taxes, charges for services and state and federal grants finance most of those activities. The basic governmental fund financial statements can be found on pages 13 through 18 of this report.
- ***Proprietary Funds.*** There are two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. Proprietary fund statements use a "flow of economic resources" measurement focus and a "full accrual" basis of accounting.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

The City of Wadsworth's Sewer Fund, Telecom Fund, Water Fund, Electric Fund and Sanitation Fund, are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 19 through 22.

Internal Service Funds - Often, governments wish to allocate the cost of providing certain centralized services (e.g., vehicle maintenance, health insurance, etc.) to the other departments of the government entity that use the

services. An Internal Service Fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

The Vehicle Maintenance Fund, Health-Insurance Retention Fund and Liability Insurance Retention Fund are the City of Wadsworth's Internal Service Funds.

- **Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Fiduciary fund statements use a "flow of economic resources" measurement focus and a "full accrual" basis of accounting.

A Fiduciary Fund statement is on page 23 of this report.

Other Information

Notes to the Basic Financial Statements:

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. Notes to the Basic Financial Statements can be found on pages 25 through 60 of this report.

The City of Wadsworth as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wadsworth, assets exceed liabilities by \$49,250,375 in governmental activities and \$45,176,104 in business-type activities as of December 31, 2007. The largest portion of the City's net assets reflects its investment in capital assets (i.e.; land, buildings, land improvements, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Since the capital assets themselves are needed to provide services, they cannot be sold to pay liabilities. Net assets are presented in the following table:

Table 1
City of Wadsworth
Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$21,402,887	\$20,644,935	\$14,483,874	\$15,271,711	\$35,886,761	\$35,916,646
Capital Assets, Net	36,955,196	34,027,805	64,824,659	57,139,158	101,779,855	91,166,963
Total Assets	58,358,083	54,672,740	79,308,533	72,410,869	137,666,616	127,083,609
Liabilities						
Current and Other Liabilities	5,481,710	3,674,864	2,029,338	2,425,505	7,511,048	6,100,369
Long-Term Liabilities, Due Within One Year	823,630	724,454	1,606,659	724,485	2,430,289	1,448,939
Long-Term Liabilities, Due in More Than One Year	2,802,368	2,900,388	30,496,432	25,873,731	33,298,800	28,774,119
Total Liabilities	9,107,708	7,299,706	34,132,429	29,023,721	43,240,137	36,323,427
Net Assets						
Invested in Capital Assets, Net of Debt	36,230,196	32,967,805	34,557,074	32,309,600	70,787,270	65,277,405
Restricted	12,235,180	11,944,464	0	0	12,235,180	11,944,464
Unrestricted	784,999	2,460,765	10,619,030	11,077,548	11,404,029	13,538,313
Total Net Assets	\$49,250,375	\$47,373,034	\$45,176,104	\$43,387,148	\$94,426,479	\$90,760,182

During 2007, the City's overall financial position increased by \$3,666,297 as Governmental Activities Net Assets increased by \$1,877,341 and those for Business-Type Activities increased by \$1,788,956.

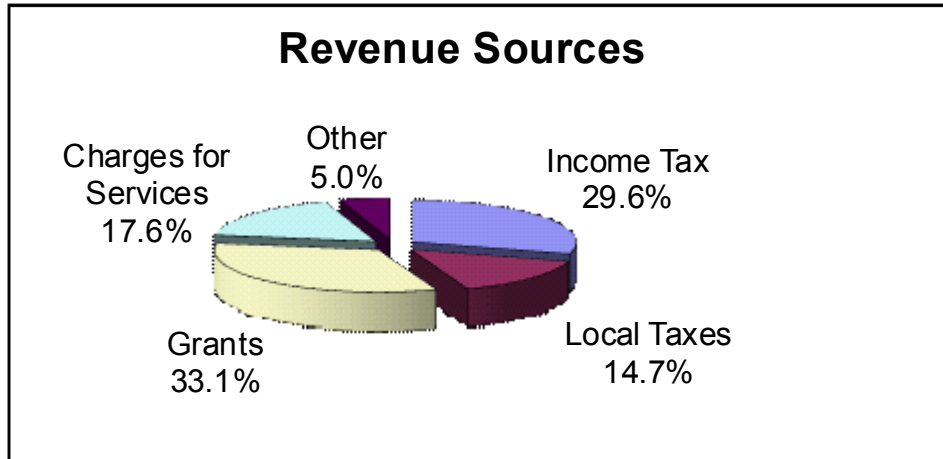
The table below indicates the changes in net assets for the year ending December 31, 2007, for both the Governmental and Business-Type Activities.

Table 2
City of Wadsowrth
Changes in Net Assets

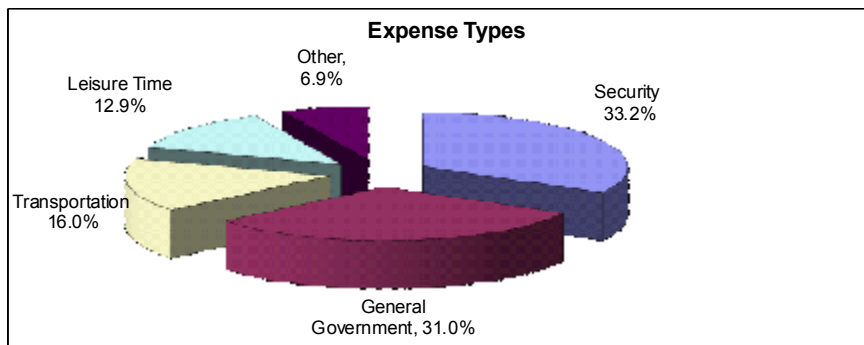
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services	\$3,388,495	\$3,446,990	\$35,961,528	\$37,236,120	\$39,350,023	\$40,683,110
Operating Grants and Contributions	261,846	397,210	0	0	261,846	397,210
Capital Grants and Contributions	1,886,282	356,932	665,440	1,024,682	2,551,722	1,381,614
General Revenues:						
Taxes	8,571,650	8,723,085	0	0	8,571,650	8,723,085
Grants and Entitlements Not Restricted to Specific Programs	4,266,292	3,028,791	0	0	4,266,292	3,028,791
Investment Income	891,744	750,706	55,910	191,679	947,654	942,385
Other Income	66,997	20,024	20	1,936	67,017	21,960
Total Revenues	19,333,306	16,723,738	36,682,898	38,454,417	56,016,204	55,178,155
Expenses						
Program Expenses:						
General Government	5,176,695	3,438,307	0	0	5,176,695	3,438,307
Security of Persons and Property	5,524,710	4,814,950	0	0	5,524,710	4,814,950
Public Health	149,833	105,621	0	0	149,833	105,621
Leisure Time Services	2,152,345	1,740,562	0	0	2,152,345	1,740,562
Community and Economic Development	617,243	455,994	0	0	617,243	455,994
Public Works	21,990	191,103	0	0	21,990	191,103
Transportation	2,693,526	2,528,287	0	0	2,693,526	2,528,287
Intergovernmental	204,548	5,960	0	0	204,548	5,960
Interest and Fiscal Charges	165,075	103,748	0	0	165,075	103,748
Electric	0	0	25,899,005	26,636,667	25,899,005	26,636,667
Sanitation	0	0	1,773,366	1,608,357	1,773,366	1,608,357
Sewer	0	0	2,432,224	2,501,651	2,432,224	2,501,651
Telecom	0	0	2,215,775	1,617,682	2,215,775	1,617,682
Water	0	0	3,323,572	2,500,466	3,323,572	2,500,466
Total Expenses	16,705,965	13,384,532	35,643,942	34,864,823	52,349,907	48,249,355
Increase (Decrease) in Net Assets						
Before Transfers	2,627,341	3,339,206	1,038,956	3,589,594	3,666,297	6,928,800
Transfers	(750,000)	0	750,000	0	0	0
Increase (Decrease) in Net Assets						
After Transfers	1,877,341	3,339,206	1,788,956	3,589,594	3,666,297	6,928,800
Net Assets - Beginning, Restated	47,373,034	44,033,828	43,387,148	39,797,554	90,760,182	83,831,382
Net Assets - Ending	\$49,250,375	\$47,373,034	\$45,176,104	\$43,387,148	\$94,426,479	\$90,760,182

Governmental Activities

Grants were the largest contributor of revenue sources in government activities accounting for 33.1% of total revenues. Income taxes generated 29.6%. Property and other local taxes generate 14.7%. The City’s direct charges to users of governmental services represent 17.6% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.



Security of Persons and Property account for 33.2% of governmental expenses, general government accounts for 31.0% of governmental expenses while transportation costs and leisure time activities represent 16.0% and 12.9% of governmental expenses respectively.



Business-Type Activities

The City’s business-type activities include: the provision of cable television and internet services; sanitary sewer services; water treatment facility; the purchase and distribution of electricity to residential, commercial, and industrial customers; automated curbside trash pick-up for residential customers; seasonal yard waste pick-up; trash collection for commercial and industrial customers; and the operation of a transfer station.

Charges for services generated 98.0% of all revenues in the business-type activities.

Individual Funds Summary and Analysis

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Governmental Funds – The focus of the City’s Governmental Funds is to provide information on near term outflows, inflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City’s Governmental Funds reported combined ending fund balances of \$14,095,624, a 1.0% decrease of \$106,401 in comparison with the prior year. Approximately 58.3% of the ending fund balances is available for spending at the government’s discretion. The remainder of fund balances is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, debt service or other restricted purposes.

The General Fund is the primary operating fund of the City of Wadsworth. As of December 31, 2007, the General Funds’ unreserved balance was \$3,119,368, while the total fund balance was \$3,770,300. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 34.91% of total General Fund expenditures, while total fund balance represents 42.2% of that same amount. The General Fund balance decreased by \$225,287 or 5.6% over the prior year.

The Income Tax Fund receives all income tax revenue, expenses the dollars necessary to administer the income tax activities and then distributes dollars as needed for operation of the General Fund, Recreation Fund, Street Fund and general capital improvements. In addition, \$36,800 was paid to the Wadsworth Local School District for various tax sharing agreements. The revenues exceeded the administrative expenses and distribution amounts by \$1,019,307.

Proprietary Funds – The City’s Proprietary Funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. The net Assets in the Sewer Fund increased by \$1,279,974 or 12.2%, the net assets in the Telecom Fund increased by \$1,088,459 or 67.9%, the net assets in the Water Fund increased by \$842,882 or 7.0%, the net assets in the Electric Fund decreased by \$1,707,232 or 10.3%, and the net assets in the Sanitation Fund increased by 73,383 or 7.4%.

Budgetary Highlights

As required by State statute, City Council adopts an annual budget. There was no significant change from the original budget to the final budget.

General Fund Property Tax and Other Local Tax Collections were actually \$154,315 or 12.8% under the budget. Interest earnings were \$320,998 or 84.8% higher than expected. Actual General Fund expenditures were \$908,227 or 8.6% under the final budget.

Actual revenue collected in the City’s Income Tax Fund was \$272,077 or 3.9% less than the final budget. Actual administrative expenses were \$85,631 or 17.3% under the final budget.

Capital Assets and Debt Administration

Capital Assets- Investment in capital assets includes: Land and Land Improvements; Building and Building Improvements; Furniture, Fixtures and Equipment; Infrastructure; Vehicles; Construction in Progress; and Infrastructure Work in Progress. The City’s investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of December 31, 2007, amounts to \$101,779,855 or 73.9% of total assets. This is a \$10,612,892 or 11.6% increase from the prior year. Governmental activities account for \$2,927,391 or 8.6% of the increase and business-type account for \$7,685,501 or 13.5% of the increase. (See Note 12).

Table 3
Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
Land	\$4,224,929	\$4,211,334	\$538,217	\$532,217	\$4,763,146	\$4,743,551
Construction in Progress	9,260	9,260	21,543,963	15,317,185	21,553,223	15,326,445
Infrastructure Work In Progress	0	0	1,155,071	1,009,374	1,155,071	1,009,374
Land Improvements	846,035	845,287	5,080	5,443	851,115	850,730
Buildings	4,682,068	4,702,921	3,150,842	3,256,938	7,832,910	7,959,859
Vehicles	2,467,495	1,937,706	1,592,701	1,507,756	4,060,196	3,445,462
Equipment	625,946	663,353	1,203,768	947,142	1,829,714	1,610,495
Infrastructure	24,099,463	21,657,944	35,635,017	34,563,103	59,734,480	56,221,047
Total Capital Assets, Net-Restated	<u>\$36,955,196</u>	<u>\$34,027,805</u>	<u>\$64,824,659</u>	<u>\$57,139,158</u>	<u>\$101,779,855</u>	<u>\$91,166,963</u>

Debt

At December 31, 2007, the City had a total debt of \$31,093,108 in long-term bonds, loans and other outstanding obligations, excluding compensated absences and unamortized premium. Details of individual obligations can be found on page 46. A large portion of this debt is related to the electric fund and sanitary sewer fund and is to be repaid from charges for services.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the net indebtedness of the City. According to Section 133.05 of the Ohio Revised Code, the City shall not incur net indebtedness that exceeds \$48,752,969, which is 10.5% of the City's tax valuation, or incur without a vote of the electors net indebtedness that exceeds \$25,537,270, which is 5.5% of the City's tax valuation. Certain debt with a repayment source other than general tax revenue is excluded from this limitation. As of December 31, 2007, the City's unvoted debt that is subject to this limitation totaled \$825,523, which leaves an available unvoted debt limit of \$24,711,747. Under the definition, the City does not exceed the debt limitations.

Additional information regarding the City's long-term obligations can be found in Note 16 of this report.

Table 4
Long Term Debt
(As of end of each year)

	Governmental Activities		Business-Type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$725,000	\$1,060,000	\$0	\$0	\$725,000	\$1,060,000
Revenue Bonds	0	0	9,148,333	9,607,083	9,148,333	9,607,083
Police and Fire Past Service Costs	100,523	102,428	0	0	100,523	102,428
OWDA Loan	0	0	21,119,252	15,222,475	21,119,252	15,222,475
Total Long Term Debt	<u>\$825,523</u>	<u>\$1,162,428</u>	<u>\$30,267,585</u>	<u>\$24,829,558</u>	<u>\$31,093,108</u>	<u>\$25,991,986</u>

Economic Factors

The City's annual budget utilizes conservative revenue estimates combined with limited spending increases. Residential and Business citizens of Wadsworth enjoy a wide range of utility services at competitive and sometimes below market costs. In tough economic times the City strives to maintain services with minimal fee increases. The level of services remained consistent in 2007.

Actual revenues were 32.6% less than the City's tax budget for 2007. A major reason for this is due to the delay in the construction of the Rogues Hollow waterline. The projected change to the general fund balance after all activity was originally budgeted was expected to decline 59.7%. The actual net change in fund balance was an \$869,986 or 24.6% decrease. Income

Tax is a major source of revenue to support governmental activities and Income Tax revenue increased by \$318,099 or 5.0%. A higher growth rate was anticipated due to build out of an existing retail business park at a highway interchange. Leasing has progressed slower than projected, pushing the new revenue growth into 2008. Leasing continues to grow and a major grocery store has committed to relocate at the same intersection, while significant areas remain available for further development.

In 2007, the City continued to control costs as in previous years. Department requests were reduced from original submission; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated. City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. City Council seeks out ways to attract new business to Wadsworth and are currently expanding a successful industrial park and enhancing utility services. A close watch of current economic conditions is ongoing to determine if increase revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with an overview of the City's finances and to show the City's accountability for the money it receives. Additional information about the city is available on our website www.wadsworthcity.org. If you have any questions about this report or need additional financial information, contact the Finance Office of John P. Moss, Auditor, City of Wadsworth, 120 Maple Street, Wadsworth, OH 44281, (330) 335-2746, finance@wadsworthcity.org.

City of Wadsworth, Ohio
Medina County
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$12,086,648	\$4,558,066	\$16,644,714
Cash and Cash Equivalents in Segregated Accounts	9,137	0	9,137
Cash and Cash Equivalents with Fiscal Agents	128	947,221	947,349
Investments	2,003,364	0	2,003,364
Receivables:			
Taxes	2,486,943	0	2,486,943
Income Taxes	2,503,668	0	2,503,668
Accounts	443,714	4,922,239	5,365,953
Intergovernmental	1,152,421	0	1,152,421
Special Assessments	385,999	0	385,999
Internal Balances	(85,695)	85,695	0
Materials and Supplies Inventory	345,736	580,977	926,713
Prepaid Items	70,824	47,507	118,331
Unamortized Bond Issue Costs	0	179,742	179,742
Investment in Joint Venture	0	3,162,427	3,162,427
Non-Depreciable Capital Assets	4,234,189	23,237,251	27,471,440
Depreciable Capital Assets, Net	32,721,007	41,587,408	74,308,415
<i>Total Assets</i>	<u>58,358,083</u>	<u>79,308,533</u>	<u>137,666,616</u>
Liabilities			
Accounts Payable	545,392	1,655,900	2,201,292
Accrued Wages and Benefits	361,653	215,233	576,886
Intergovernmental Payable	335,381	142,023	477,404
Matured Interest Payable	128	1,344	1,472
Accrued Interest Payable	2,682	14,838	17,520
Claims Payable	460,092	0	460,092
Deferred Revenue	3,756,641	0	3,756,641
Unearned Revenue	19,741	0	19,741
Noncurrent Liabilities:			
Due Within One Year	823,630	1,606,659	2,430,289
Due In More Than One Year	2,802,368	30,496,432	33,298,800
<i>Total Liabilities</i>	<u>9,107,708</u>	<u>34,132,429</u>	<u>43,240,137</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	36,230,196	34,557,074	70,787,270
Restricted for:			
Debt Service	1,149,844	0	1,149,844
Capital Projects	3,612,985	0	3,612,985
Other Purposes	7,472,351	0	7,472,351
Unrestricted	784,999	10,619,030	11,404,029
<i>Total Net Assets</i>	<u>\$49,250,375</u>	<u>\$45,176,104</u>	<u>\$94,426,479</u>

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Activities
For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$5,176,695	\$1,630,640	\$11,077	\$613,643	(\$2,921,335)	\$0	(\$2,921,335)
Security of Persons and Property	5,524,710	838,539	84,813	614,587	(3,986,771)	0	(3,986,771)
Public Health	149,833	12,413	296	17,195	(119,929)	0	(119,929)
Leisure Time Services	2,152,345	744,047	130,026	130,511	(1,147,761)	0	(1,147,761)
Community and Economic Development	617,243	59,565	35,628	509,967	(12,083)	0	(12,083)
Public Works	21,990	24,461	0	0	2,471	0	2,471
Transportation	2,693,526	77,862	0	0	(2,615,664)	0	(2,615,664)
Intergovernmental	204,548	968	6	379	(203,195)	0	(203,195)
Interest and Fiscal Charges	165,075	0	0	0	(165,075)	0	(165,075)
<i>Total Governmental Activities</i>	<u>16,705,965</u>	<u>3,388,495</u>	<u>261,846</u>	<u>1,886,282</u>	<u>(11,169,342)</u>	<u>0</u>	<u>(11,169,342)</u>
Business-Type Activities							
Electric	25,899,005	25,014,078	0	0	0	(884,927)	(884,927)
Sanitation	1,773,366	1,842,501	0	0	0	69,135	69,135
Sewer	2,432,224	3,609,670	0	84,225	0	1,261,671	1,261,671
Telecom	2,215,775	2,656,861	0	0	0	441,086	441,086
Water	3,323,572	2,838,418	0	581,215	0	96,061	96,061
<i>Total Business-Type Activities</i>	<u>35,643,942</u>	<u>35,961,528</u>	<u>0</u>	<u>665,440</u>	<u>0</u>	<u>983,026</u>	<u>983,026</u>
<i>Totals</i>	<u>\$52,349,907</u>	<u>\$39,350,023</u>	<u>\$261,846</u>	<u>\$2,551,722</u>	<u>(11,169,342)</u>	<u>983,026</u>	<u>(10,186,316)</u>

General Revenues:

Property Taxes Levied For:

General Purposes	1,056,203	0	1,056,203
Capital Projects	475,452	0	475,452
Special Revenue	1,319,207	0	1,319,207
Income Taxes	5,720,788	0	5,720,788
Grants and Entitlements not Restricted to Specific Programs	4,266,292	0	4,266,292
Investment Earnings	891,744	55,910	947,654
Other Income	66,997	20	67,017
Transfers	(750,000)	750,000	0

Total General Revenues 13,046,683 805,930 13,852,613

Change in Net Assets 1,877,341 1,788,956 3,666,297

Net Assets Beginning of Year, Restated (See Note 3) 47,373,034 43,387,148 90,760,182

Net Assets End of Year \$49,250,375 \$45,176,104 \$94,426,479

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Balance Sheet
Governmental Funds
December 31, 2007

	General	Income Tax	Special Assessments	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,945,389	\$517,639	\$1,089,144	\$7,647,989	\$11,200,161
Cash and Cash Equivalents in					
Segregated Accounts	9,137	0	0	0	9,137
Cash and Cash Equivalents With Fiscal Agents	0	0	0	128	128
Investments	2,003,364	0	0	0	2,003,364
Receivables:					
Taxes	1,061,729	0	0	1,425,214	2,486,943
Income Taxes	0	2,503,668	0	0	2,503,668
Accounts	119,556	0	0	324,158	443,714
Interfund	173,682	1,896,000	0	1,497,701	3,567,383
Intergovernmental	544,446	0	0	607,975	1,152,421
Special Assessments	0	0	0	385,999	385,999
Materials and Supplies Inventory	0	0	0	282,065	282,065
Prepaid Items	55,330	254	0	15,240	70,824
<i>Total Assets</i>	<u>\$5,912,633</u>	<u>\$4,917,561</u>	<u>\$1,089,144</u>	<u>\$12,186,469</u>	<u>\$24,105,807</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$82,723	\$27,977	\$119,760	\$309,051	\$539,511
Accrued Wages and Benefits	230,850	1,190	0	117,738	349,778
Intergovernmental Payable	234,004	740	0	92,654	327,398
Matured Interest Payable	0	0	0	128	128
Interfund Payable	0	0	2,600,742	936,089	3,536,831
Deferred Revenue	1,594,756	1,323,307	0	2,318,733	5,236,796
Unearned Revenue	0	0	0	19,741	19,741
<i>Total Liabilities</i>	<u>2,142,333</u>	<u>1,353,214</u>	<u>2,720,502</u>	<u>3,794,134</u>	<u>10,010,183</u>
Fund Balances					
Reserved for:					
Encumbrances	595,602	0	357,455	1,005,124	1,958,181
Prepaid Items	55,330	254	0	15,240	70,824
Interfund Receivable	0	1,896,000	0	1,177,667	3,073,667
Debt Service Principal	0	0	0	763,845	763,845
Unreserved, Undesignated, Reported in:					
General Fund	3,119,368	0	0	0	3,119,368
Special Revenue Funds	0	1,668,093	0	2,471,297	4,139,390
Capital Projects Funds	0	0	(1,988,813)	2,959,162	970,349
<i>Total Fund Balances (Deficit)</i>	<u>3,770,300</u>	<u>3,564,347</u>	<u>(1,631,358)</u>	<u>8,392,335</u>	<u>14,095,624</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,912,633</u>	<u>\$4,917,561</u>	<u>\$1,089,144</u>	<u>\$12,186,469</u>	<u>\$24,105,807</u>

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007

Total Governmental Funds Balances \$14,095,624

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Land	4,224,929	
Construction in Progress	9,260	
Land Improvements (Net of Depreciation)	846,035	
Buildings (Net of Depreciation)	4,542,055	
Vehicles (Net of Depreciation)	2,448,107	
Equipment, Furniture and Fixtures (Net of Depreciation)	618,318	
Infrastructure (Net of Depreciation)	<u>24,099,463</u>	
Total		36,788,167

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	69,270	
Other Taxes	1,024,886	
Special Assessments	<u>385,999</u>	
Total		1,480,155

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

Buildings (Net of Depreciation)	140,013	
Vehicles (Net of Depreciation)	19,388	
Equipment, Furniture and Fixtures (Net of Depreciation)	7,628	
Unrestricted Net Assets	344,319	
Internal payable representing charges in excess of cost to business-type activities - prior years	95,243	
Internal receivable representing cost in excess of charges to business-type activities - current year	<u>(211,490)</u>	
Total		395,101

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	(725,000)	
Compensated Absences	(2,680,467)	
Police Past Service Costs	(100,523)	
Accrued Interest	<u>(2,682)</u>	
Total		<u>(3,508,672)</u>

Net Assets of Governmental Activities \$49,250,375

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Income Tax	Special Assessments	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$1,051,317	\$0	\$0	\$1,786,863	\$2,838,180
Income Taxes	0	6,672,229	0	0	6,672,229
Special Assessments	0	0	0	56,267	56,267
Charges for Services	494,439	0	46,941	1,674,564	2,215,944
Licenses and Permits	491,843	0	0	266,184	758,027
Fines and Forfeitures	8,665	0	24,887	172,307	205,859
Intergovernmental	2,492,505	222,548	200,853	2,357,622	5,273,528
Interest	731,730	0	0	160,014	891,744
Rent	0	0	0	208,665	208,665
Contributions and Donations	23,713	0	0	6,540	30,253
Other	16,636	0	0	50,361	66,997
<i>Total Revenues</i>	<u>5,310,848</u>	<u>6,894,777</u>	<u>272,681</u>	<u>6,739,387</u>	<u>19,217,693</u>
Expenditures					
Current:					
General Government	4,075,942	424,470	0	1,023,154	5,523,566
Security of Persons and Property	3,686,206	0	0	1,588,767	5,274,973
Public Health	108,895	0	0	1,227	110,122
Leisure Time Services	803,861	0	0	1,283,456	2,087,317
Community and Economic Development	231,722	0	0	393,816	625,538
Public Works	0	0	0	19,281	19,281
Transportation	0	0	126,282	1,896,886	2,023,168
Intergovernmental	2,408	0	0	202,140	204,548
Capital Outlay	20,863	0	971,718	1,956,732	2,949,313
Debt Service:					
Principal Retirement	1,905	0	0	335,000	336,905
Interest and Fiscal Charges	4,333	0	100,107	64,923	169,363
<i>Total Expenditures</i>	<u>8,936,135</u>	<u>424,470</u>	<u>1,198,107</u>	<u>8,765,382</u>	<u>19,324,094</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(3,625,287)</u>	<u>6,470,307</u>	<u>(925,426)</u>	<u>(2,025,995)</u>	<u>(106,401)</u>
Other Financing Sources (Uses)					
Transfers In	3,400,000	0	0	2,051,000	5,451,000
Transfers Out	0	(5,451,000)	0	0	(5,451,000)
<i>Total Other Financing Sources (Uses)</i>	<u>3,400,000</u>	<u>(5,451,000)</u>	<u>0</u>	<u>2,051,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(225,287)</u>	<u>1,019,307</u>	<u>(925,426)</u>	<u>25,005</u>	<u>(106,401)</u>
<i>Fund Balance (Deficit) Beginning of Year, Restated (See Note 3)</i>	<u>3,995,587</u>	<u>2,545,040</u>	<u>(705,932)</u>	<u>8,367,330</u>	<u>14,202,025</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$3,770,300</u>	<u>\$3,564,347</u>	<u>(\$1,631,358)</u>	<u>\$8,392,335</u>	<u>\$14,095,624</u>

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds (\$106,401)

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures and capital contributions as income.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation expense in the current period.

Capital Outlay	2,774,313	
Capital Contributions	1,378,211	
Depreciation Expense	<u>(1,202,195)</u>	
Total		2,950,329

The net effect of various miscellaneous transactions involving capital assets (i.e. sales/disposals) is to decrease net assets.

Loss on Sale of Capital Assets		(5,164)
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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.

Property Taxes	12,682	
Income Taxes	(951,441)	
Other Taxes	(267,572)	
Special Assessments	<u>(56,267)</u>	
Total		(1,262,598)

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General Obligation Bonds	335,000	
Police and Fire Past Service Costs	<u>1,905</u>	
Total		336,905

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

4,288

Some expenses reported in the Statement of Activities, such as compensated absences which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(340,209)
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The internal service funds used by management to charge the costs of insurance and Workers' Compensation to individual funds are not reported in the entity-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

Change in net assets of the internal service funds	511,681	
Minus: Decrease from charges to business-type activities	<u>(211,490)</u>	
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.		<u>300,191</u>

Change in Net Assets of Governmental Activities

\$1,877,341

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$1,083,012	\$1,205,632	\$1,051,317	(\$154,315)
Charges for Services	393,710	400,843	415,186	14,343
Licenses and Permits	544,155	439,655	491,736	52,081
Fines and Forfeitures	1,500	1,500	8,100	6,600
Intergovernmental	1,931,309	2,509,354	2,607,103	97,749
Interest	349,430	378,680	699,678	320,998
Contributions and Donations	12,000	12,000	23,713	11,713
Refunds	119,725	106,655	99,390	(7,265)
Other	90	95	23	(72)
Total Revenues	4,434,931	5,054,414	5,396,246	341,832
Expenditures				
Current:				
General Government	4,742,971	4,783,567	4,400,637	382,930
Security of Persons and Property	4,387,398	4,396,477	4,033,505	362,972
Public Health	106,669	123,792	110,801	12,991
Leisure Time Services	929,300	919,046	832,679	86,367
Community and Economic Development	301,416	310,984	249,186	61,798
Intergovernmental	1,567	5,825	4,785	1,040
Debt Service:				
Principal Retirements	2,010	2,010	1,905	105
Interest and Fiscal Charges	4,357	4,357	4,333	24
Total Expenditures	10,475,688	10,546,058	9,637,831	908,227
Excess of Revenues Over (Under) Expenditures	(6,040,757)	(5,491,644)	(4,241,585)	1,250,059
Other Financing Sources (Uses)				
Transfers In	3,929,842	3,402,771	3,400,000	(2,771)
Proceeds from Sale of Capital Assets	0	2	2,729	2,727
Advances In	0	39,000	39,000	0
Advances Out	0	0	(70,130)	(70,130)
Total Other Financing Sources (Uses)	3,929,842	3,441,773	3,371,599	(70,174)
Net Change in Fund Balance	(2,110,915)	(2,049,871)	(869,986)	1,179,885
Fund Balance at Beginning of Fiscal Year	3,535,194	3,535,194	3,535,194	0
Prior Fiscal Year Encumbrances Appropriated	595,315	595,315	595,315	0
Fund Balance at End of Fiscal Year	\$2,019,594	\$2,080,638	\$3,260,523	\$1,179,885

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
Income Tax
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$6,684,000	\$6,853,906	\$6,534,276	(\$319,630)
Intergovernmental	125,049	175,000	222,548	47,548
Refunds	0	0	5	5
Total Revenues	6,809,049	7,028,906	6,756,829	(272,077)
Expenditures				
Current:				
General Government	491,973	494,186	408,555	85,631
Excess of Revenues Over (Under) Expenditures	6,317,076	6,534,720	6,348,274	(186,446)
Other Financing Uses				
Transfers Out	(5,451,000)	(5,451,000)	(5,451,000)	0
Net Change in Fund Balance	866,076	1,083,720	897,274	(186,446)
Fund Balance at Beginning of Fiscal Year	1,510,469	1,510,469	1,510,469	0
Prior Fiscal Year Encumbrances Appropriated	2,799	2,799	2,799	0
Fund Balance at End of Fiscal Year	<u>\$2,379,344</u>	<u>\$2,596,988</u>	<u>\$2,410,542</u>	<u>(\$186,446)</u>

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	Sewer	Telecom	Water	Electric	Sanitation	Totals	Governmental Activities - Internal Service Funds
Assets							
Current Assets:							
Equity in Pooled Cash and Cash Equivalents	\$883,434	\$1,721,858	\$1,451,203	\$0	\$501,571	\$4,558,066	\$886,487
Cash and Cash Equivalents with Fiscal Agents	0	0	1,344	945,877	0	947,221	0
Materials and Supplies Inventory	2,331	0	150,764	427,882	0	580,977	63,671
Receivables:							
Accounts	428,791	477,311	330,464	3,395,226	290,447	4,922,239	0
Interfund	4,827,651	185,792	0	0	0	5,013,443	0
Prepaid Items	8,077	22	11,443	22,184	5,781	47,507	0
Total Current Assets	6,150,284	2,384,983	1,945,218	4,791,169	797,799	16,069,453	950,158
Noncurrent Assets:							
Unamortized Bond Issue Costs	0	0	0	179,742	0	179,742	0
Investment in Joint Venture	0	0	0	3,162,427	0	3,162,427	0
Non-Depreciable Capital Assets	21,233,047	0	329,333	1,674,067	804	23,237,251	0
Depreciable Capital Assets, Net	5,874,918	1,160,686	12,775,182	21,003,143	773,479	41,587,408	167,029
Total Noncurrent Assets	27,107,965	1,160,686	13,104,515	26,019,379	774,283	68,166,828	167,029
Total Assets	33,258,249	3,545,669	15,049,733	30,810,548	1,572,082	84,236,281	1,117,187
Liabilities							
Current Liabilities:							
Accounts Payable	46,095	85,519	56,780	1,462,945	4,561	1,655,900	5,881
Accrued Wages and Benefits	23,498	28,455	42,419	102,390	18,471	215,233	11,875
Intergovernmental Payable	17,831	11,457	27,523	73,635	11,577	142,023	7,983
Matured Interest Payable	0	0	1,344	0	0	1,344	0
Accrued Interest Payable	0	0	0	14,838	0	14,838	0
Interfund Payable	0	502,697	1,645,060	2,557,847	338,391	5,043,995	0
Unamortized Premium on Bonds	0	0	0	53,126	0	53,126	0
Claims Payable	0	0	0	0	0	0	460,092
Compensated Absences Payable	65,343	32,589	53,569	114,815	20,068	286,384	18,362
OWDA Loans Payable	842,324	0	0	0	0	842,324	0
Revenue Bonds Payable	0	0	0	475,000	0	475,000	0
Total Current Liabilities	995,091	660,717	1,826,695	4,854,596	393,068	8,730,167	504,193
Noncurrent Liabilities:							
Compensated Absences Payable - Net of Current Portion	201,490	193,017	306,127	682,680	112,682	1,495,996	101,646
OWDA Loans Payable - Net of Current Portion	20,276,928	0	0	0	0	20,276,928	0
Revenue Bonds Payable - Net of Current Portion	0	0	0	8,673,333	0	8,673,333	0
Total Noncurrent Liabilities	20,478,418	193,017	306,127	9,356,013	112,682	30,446,257	101,646
Total Liabilities	21,473,509	853,734	2,132,822	14,210,609	505,750	39,176,424	605,839
Net Assets							
Invested in Capital Assets, Net of Related Debt	5,988,713	1,160,686	13,104,515	13,528,877	774,283	34,557,074	167,029
Unrestricted	5,796,027	1,531,249	(187,604)	3,071,062	292,049	10,502,783	344,319
Total Net Assets	\$11,784,740	\$2,691,935	\$12,916,911	\$16,599,939	\$1,066,332	45,059,857	\$511,348
Net adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds						116,247	
Net Assets of Business-Type Activities						<u>\$45,176,104</u>	

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Sewer	Telecom	Water	Electric	Sanitation	Totals	Governmental Activities - Internal Service Funds
Operating Revenues							
Charges for Services	\$3,609,670	\$2,656,861	\$2,838,418	\$25,014,078	\$1,842,501	\$35,961,528	\$3,474,059
Other	0	20	0	0	0	20	0
<i>Total Operating Revenues</i>	<u>3,609,670</u>	<u>2,656,881</u>	<u>2,838,418</u>	<u>25,014,078</u>	<u>1,842,501</u>	<u>35,961,548</u>	<u>3,474,059</u>
Operating Expenses							
Personal Services	810,465	523,437	1,351,774	4,129,225	583,274	7,398,175	380,020
Contractual Services	1,379,051	1,385,023	1,125,373	976,247	978,187	5,843,881	362,822
Purchased Power	0	0	0	17,369,504	0	17,369,504	0
Materials and Supplies	92,301	109,992	539,333	643,419	95,455	1,480,500	285,555
Claims	0	0	0	0	0	0	1,908,592
Depreciation	168,609	191,753	308,470	1,483,775	120,201	2,272,808	11,742
Other	1,664	0	3,084	957,710	6	962,464	0
<i>Total Operating Expenses</i>	<u>2,452,090</u>	<u>2,210,205</u>	<u>3,328,034</u>	<u>25,559,880</u>	<u>1,777,123</u>	<u>35,327,332</u>	<u>2,948,731</u>
<i>Operating Income (Loss)</i>	<u>1,157,580</u>	<u>446,676</u>	<u>(489,616)</u>	<u>(545,802)</u>	<u>65,378</u>	<u>634,216</u>	<u>525,328</u>
Non-Operating Revenues (Expenses)							
Interest	38,169	9,542	38,346	193,992	25,098	305,147	0
Capital Grants and Contributions	84,225	0	1,331,215	0	0	1,415,440	0
Investment in Joint Venture	0	0	0	(249,237)	0	(249,237)	0
Interest and Fiscal Charges	0	(14,417)	(37,063)	(459,527)	(17,093)	(528,100)	0
Loss on Disposal of Capital Assets	0	0	0	0	0	0	(13,647)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>122,394</u>	<u>(4,875)</u>	<u>1,332,498</u>	<u>(514,772)</u>	<u>8,005</u>	<u>943,250</u>	<u>(13,647)</u>
<i>Income (Loss) Before Transfers</i>	<u>1,279,974</u>	<u>441,801</u>	<u>842,882</u>	<u>(1,060,574)</u>	<u>73,383</u>	<u>1,577,466</u>	<u>511,681</u>
Transfers In	0	646,658	0	0	0	646,658	0
Transfers Out	0	0	0	(646,658)	0	(646,658)	0
<i>Change in Net Assets</i>	<u>1,279,974</u>	<u>1,088,459</u>	<u>842,882</u>	<u>(1,707,232)</u>	<u>73,383</u>	<u>1,577,466</u>	<u>511,681</u>
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>	<u>10,504,766</u>	<u>1,603,476</u>	<u>12,074,029</u>	<u>18,307,171</u>	<u>992,949</u>		<u>(333)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>\$11,784,740</u>	<u>\$2,691,935</u>	<u>\$12,916,911</u>	<u>\$16,599,939</u>	<u>\$1,066,332</u>		<u>\$511,348</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds						<u>211,490</u>	
Change in Net Assets of Business-Type Activities						<u>\$1,788,956</u>	

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Telecom	Water	Electric	Sanitation		
Cash Flows from Operating Activities							
Cash Received from Customers	\$3,648,848	\$2,179,550	\$2,858,789	\$25,130,308	\$1,853,017	\$35,670,512	\$3,474,059
Cash Payments to Employees for Services	(782,430)	(336,175)	(1,332,585)	(4,286,899)	(567,336)	(7,305,425)	(384,071)
Cash Payments for Goods and Services	(1,520,725)	(1,648,522)	(1,613,492)	(18,835,312)	(1,193,998)	24,812,049	(665,315)
Cash Payments for Claims	0	0	0	0	0	0	(2,073,779)
Other Operating Revenue	0	20	0	0	0	20	0
Other Operating Expenses	(1,664)	0	(3,084)	(957,710)	(6)	(962,464)	0
Net Cash Provided by (Used for) Operating Activities	1,344,029	194,873	(90,372)	1,050,387	91,677	2,590,594	350,894
Cash Flows from Noncapital Financing Activities							
Interfund Receivable	(4,827,651)	(185,792)	0	0	0	(5,013,443)	0
Interfund Receivable Repaid from Other Funds	358,066	89,516	298,355	712,125	0	1,458,062	0
Interfund Payable	0	499,800	1,635,030	2,543,363	335,250	5,013,443	0
Repayment of Interfund Payable	0	(256,000)	(715,310)	(1,294,837)	(388,125)	(2,654,272)	0
Interest Payments	0	(11,520)	(32,189)	0	0	(43,709)	0
Net Cash Provided by (Used for) Noncapital Financing Activities	(4,469,585)	136,004	1,185,886	1,960,651	(52,875)	(1,239,919)	0
Cash Flows from Capital and Related Financing Activities							
Proceeds from Loans	5,896,777	0	0	0	0	5,896,777	0
Acquisition of Capital Assets	(6,078,981)	(303,639)	(693,724)	(1,568,282)	(72,758)	(8,717,384)	(7,615)
Principal Payments	0	0	0	(460,000)	0	(460,000)	0
Interest Payments	0	0	0	(457,895)	(17,466)	(475,361)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(182,204)	(303,639)	(693,724)	(2,486,177)	(90,224)	(3,755,968)	(7,615)
Cash Flows from Investing Activities							
Interest on Investments	38,169	9,542	38,346	193,992	25,098	305,147	0
Net Cash Provided by Investing Activities	38,169	9,542	38,346	193,992	25,098	305,147	0
Net Increase (Decrease) in Cash and Cash Equivalents	(3,269,591)	36,780	440,136	718,853	(26,324)	(2,100,146)	343,279
Cash and Cash Equivalents Beginning of Year (Restated)	4,153,025	1,685,078	1,011,067	(718,853)	527,895	6,658,212	543,208
Cash and Cash Equivalents End of Year	\$883,434	\$1,721,858	\$1,451,203	\$0	\$501,571	\$4,558,066	\$886,487

(continued)

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Telecom	Water	Electric	Sanitation		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities							
Operating Income (Loss)	\$1,157,580	\$446,676	(\$489,616)	(\$545,802)	\$65,378	\$634,216	\$525,328
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities							
Depreciation	168,609	191,753	308,470	1,483,775	120,201	2,272,808	11,742
(Gain)/Loss on Disposal of Capital Assets	1,797	0	348	172,370	0	174,515	0
(Increase) Decrease in Operating Assets:							
Accounts Receivable	39,178	(477,311)	20,371	116,230	10,516	(291,016)	0
Prepaid Items	1,398	8	(171)	3,243	936	5,414	0
Materials and Supplies Inventory	897	0	41,863	77,521	0	120,281	(9,557)
Increase (Decrease) in Operating Liabilities:							
Accounts Payable	(53,465)	(153,515)	9,174	(99,276)	(121,292)	(418,374)	(7,381)
Accrued Wages and Benefits	(551)	20,067	6,193	225	2,695	28,629	(874)
Compensated Absences Payable	28,708	162,134	12,570	(146,690)	13,077	69,799	(2,148)
Intergovernmental Payable	(122)	5,061	426	(11,209)	166	(5,678)	(1,029)
Claims Payable	0	0	0	0	0	0	(165,187)
Total Adjustments	186,449	(251,803)	399,244	1,596,189	26,299	1,956,378	(174,434)
Net Cash Provided by (Used for) Operating Activities	\$1,344,029	\$194,873	(\$90,372)	\$1,050,387	\$91,677	\$2,590,594	\$350,894
Non-Cash Capital Activities:							
Net Increase/(Decrease) in fair Value of Investments	(\$1,831)	(\$458)	(\$1,654)	(\$6,008)	\$98	(\$9,853)	
Capital Assets Transferred from Governmental Activity	0	0	750,000	0	0	\$750,000	
Capital Assets Transferred from							
Electric to Telecommunications	0	646,658	0	(646,658)	0	\$0	
Capital Assets Contributed by Developers	84,225	0	581,215	0	0	\$665,440	
Total Non-Cash Investing, Capital and Financing Activities	\$82,394	\$646,200	\$1,329,561	(\$652,666)	\$98	\$1,405,587	

The Sewer Fund received an additional OWDA loan of \$5,896,777, which resulted from the OWDA making direct payments to contractors on behalf of the City.

The notes to the financial statements are an integral part of this statement.

City of Wadsworth, Ohio
Medina County
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2007

	<u>Agency</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$68,950
Cash and Cash Equivalents in Segregated Accounts	<u>922,937</u>
Total Current Assets	<u>991,887</u>
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>432,415</u>
Total Noncurrent Assets	<u>432,415</u>
<i>Total Assets</i>	<u><u>\$1,424,302</u></u>
Liabilities	
Current Liabilities:	
Retainage Payable	\$879,003
Undistributed Monies	<u>112,884</u>
Total Current Liabilities	<u>991,887</u>
Current Liabilities Payable From Restricted Assets:	
Refundable Deposits	<u>432,415</u>
<i>Total Liabilities</i>	<u><u>\$1,424,302</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

The City is associated with the Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 5 and 6 and the Woodlawn Union Cemetery, all of which are joint ventures. The City is also associated with the Municipal Energy Services Agency, which is defined as a jointly governed organization. These organizations are presented in Notes 21 and 22.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Basis of Presentation*

The City'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 City 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 eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. 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 City, with certain limited exceptions. 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 City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental and proprietary 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 funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. *Fund Accounting*

The City 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. The following categories and fund types are used by the City:

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 City'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 City for any purpose provided it is expended or transferred according to the charter of the City of Wadsworth and/or the general laws of Ohio.

Income Tax Fund - The Income Tax special revenue fund accounts for all revenues and expenses relative to the collection of income tax.

Special Assessments Fund - The Special Assessments capital projects fund accounts for capital improvements financed by special assessments.

Other governmental funds of the City are used to account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer Enterprise Fund - The sewer enterprise fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City and surrounding townships.

Water Enterprise Fund - The water enterprise fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Electric Enterprise Fund - The electric enterprise fund accounts for the cost of operating the municipally-owned electric utility and the related revenue from charges for services.

Telecomm Enterprise Fund - The telecomm enterprise fund accounts for the provision of cable television and high-speed internet service to the residents and commercial users located within the City.

Sanitation Enterprise Fund - The sanitation enterprise fund accounts for the provision of trash collection and disposal services for residents and commercial users located within the City and surrounding areas.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical 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 City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City does not have trust funds. The agency funds account for municipal court collections that are distributed to various local governments maintaining the law library and assisting in payment of individuals' utilities. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 City are included on the Statement of Net Assets.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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.

CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Like the government-wide statements, all proprietary funds 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 total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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 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 City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City 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 year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, tuition, grants, 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 December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Special assessments not received within the available period and 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.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Budgetaries

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

Tax Budget In July, the City Administration presents the annual Tax Budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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 City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The Certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2007.

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

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

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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. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the basic financial statements for the proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

F. Cash, Cash Equivalents and Investments

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

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets/Balance Sheet, investments with original maturities of three months or less at the time they are purchased by the City and investments of the cash management pool are considered to be cash equivalents. Investments with a maturity of more than three months are reported as investments. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Investments other than nonparticipating investment contracts, are reported at fair value which is based on quoted market prices.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. During the year 2007, interest revenue credited to the general fund, bond retirement fund, and electric fund amounted to \$731,730, \$39,174, and \$193,992, which includes \$550,135, \$6,172 and \$158,010, respectively, assigned from other City funds.

The City utilizes a fiscal agent to hold bonds and coupons for retainage on construction contracts. The balance in this account is presented on the balance sheet as "Cash with Fiscal and Escrow Agent" and represents deposits.

G. Interfund Balances

On fund financial statements, interfund loans are classified as "Interfund Receivable/Payable" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

H. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

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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 and proprietary funds when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

J. 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 City maintains a capitalization threshold for all items having a cost of five thousand dollars or more. Exceptions exist for items such as an interest in land, which is always capitalized. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25 to 100 years	25 to 100 years
Equipment	3 to 50 years	3 to 50 years
Vehicles	8 to 30 years	8 to 30 years
Infrastructure	3 to 110 years	3 to 110 years

K. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement 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 attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

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Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

L. *Accrued and Long-Term Obligations*

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and 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 year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

M. *Fund Balance Reserves*

The City records reservations for 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 appropriation or expenditure. Fund balances are reserved for encumbrances, debt service principal payments, interfund receivable/payable and prepaids.

N. *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 borrowing 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 City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. *Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues include charges for services for water, sewer, sanitation and electric services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting those definitions are reported as nonoperating.

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P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

S. Estimates

The preparation of the 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR PERIOD BALANCES

A. Changes in Accounting Principles

For fiscal year 2007, the City has implemented GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues” which establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The implementation of GASB 48 had no material effect on the financial statements of the City.

B. Restatement of Prior Year Net Assets

Prior year Telecom (Enterprise Fund) activity had been recorded in various funds. The activity has been moved to Telecom to correctly record revenues/expenses. The result of this change and the effect on Fund Balance and Net Assets is summarized below.

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At December 31, 2006, not all of the capital assets were recorded. The result of this change and the effect on Net Assets is summarized below:

	Governmental Activities	Business- Type Activities
Net Assets At December 31, 2006	\$46,940,438	\$43,053,689
Adjustment of Capital Assets, Net	481,052	285,003
Move Revenues/Expenses to Telecom	(48,456)	48,456
Restated Net Assets at December 31, 2006	<u>\$47,373,034</u>	<u>\$43,387,148</u>

Governmental Funds:

	General	Income Tax	Special Assessments	Non-Major Governmental Funds	Total Governmental Funds
Fund Balance At December 31, 2006	\$3,995,587	\$2,545,040	(\$705,932)	\$8,415,786	\$14,250,481
Move Revenues/Expenses to Telecom	0	0	0	(48,456)	(48,456)
Restated Fund Balance at December 31, 2006	<u>\$3,995,587</u>	<u>\$2,545,040</u>	<u>(\$705,932)</u>	<u>\$8,367,330</u>	<u>\$14,202,025</u>

Proprietary Funds

	Sewer	Telecom	Water	Electric	Sanitation	Total Enterprise
Net Assets At December 31, 2006	\$10,504,766	\$955,398	\$11,790,515	\$18,905,304	\$992,949	\$43,148,932
Adjustment of Capital Assets, Net	0	0	283,514	1,489	0	285,003
Move Accounts Payable to Telecom	0	(141,220)	0	141,220	0	0
Move Revenues/Expenses to Telecom	0	1,045,298	0	(996,842)	0	48,456
Move Interfund Payable to Telecom	0	(256,000)	0	256,000	0	0
Restated Net Assets at December 31, 2006	<u>\$10,504,766</u>	<u>\$1,603,476</u>	<u>\$12,074,029</u>	<u>\$18,307,171</u>	<u>\$992,949</u>	<u>\$43,482,391</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the General Fund and the Income Tax Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

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

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4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Income Tax Fund.

	Net Changes in Fund Balance	
	General Fund	Income Tax Fund
GAAP Basis	(\$225,287)	\$1,019,307
Net Adjustment for Revenue Accruals	127,127	(137,948)
Net Adjustment for Expenditure Accruals	(1,450,152)	12,817
Encumbrances	678,326	3,098
Budget Basis	(\$869,986)	\$897,274

NOTE 5 – ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

The following funds had a deficit in fund balance at December 31, 2007:

Fund	Deficit
Capital Project Funds:	
Special Assessments	(1,631,368)
Chip Grant FY 2003	(\$1,765)
Airport	(\$115,610)

Those funds complied with Ohio State law, which does not permit cash basis deficits. The General Fund advances or transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental and/or special assessments revenues not recognized under GAAP at December 31.

NOTE 6 - DEPOSITS AND INVESTMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes classify monies held by the City into three categories:

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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3. 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Banker's Acceptances and Commercial Paper notes, each with a maturity not exceeding 180 days. Commercial Paper must be rated at the time of purchase in the highest classification by at least two (2) nationally recognized rating services. The combined total of Banker's Acceptances and Commercial Paper will not exceed 25% of the total portfolio at the time of purchase.

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. The City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically

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collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 102% of the total value of public monies on deposit at the institution.

At December 31, 2007, of the City's bank balance of \$17,484,947, \$462,736 was covered by FDIC and \$17,015,740 was held in collateral pools with no specifications for whom such funds are held.

Investments

As of December 31, 2007, the City had the following investments and maturities:

Investment Type	Investment Maturity in Years		
	Fair Value	Less Than One Year	More Than 10
STAR Ohio	\$2,155,774	\$2,155,774	\$0
Repurchase Agreement	904,640	904,640	0
Government National Mortgage Association	7,106	0	7,106
Total	<u>\$3,067,520</u>	<u>\$3,060,414</u>	<u>\$7,106</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. According to the City's policy, investments made by the Treasurer must mature within five years from the date of purchase with an average weighted maturity not to exceed two years.

Credit Risk: Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors.

STAR Ohio	AAAm
Government National Mortgage Association	AAA

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Discount Notes and the Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counter-party's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the City's investment in a single issuer. More than five percent of the City's investments are in STAR Ohio and Government National Mortgage Association. These investments are 70% and .23% respectively, of the City's total investments. The City's policy places no limit on the amount that may be invested in any one issuer.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consisted with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on December 31, 2007.

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NOTE 7 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services, rents and royalties), interfund, special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. Accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

No allowance for doubtful accounts has been recorded because uncollectable amounts are expected to be insignificant.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35% of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are 25% of true value.

The full tax rate for all City operations for the year ended December 31, 2007, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

	Total Assessed Value	%
Real Property Valuation:		
Residential/Agriculture	\$346,652,230	75.17%
Commercial/Industrial/Mineral	94,201,820	20.43%
Public Utilities	12,750	0.00%
Tangible Personal Property Valuation:		
General	17,948,870	3.89%
Public Utilities	2,366,120	0.51%
Total Valuation	<u>\$461,181,790</u>	<u>100.00%</u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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NOTE 9 - INCOME TAX

The City levies and collects an income tax of 1.3% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit for the tax paid to another municipality to offset up to 1.0% of the total rate. Residents are required to remit the remaining 0.3% to the City's tax collection agency. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2007 received 60 days after year-end have been recognized as revenue in 2007.

Corporations and other individual taxpayers are also billed for their estimated taxes quarterly. They must pay at least 80% by January and must file a final return annually.

Income tax revenues are distributed, as needed, to the various funds of the City pursuant to Council ordinance. In 2007 income tax revenue was distributed to the following funds: General; Recreation; Street; and Capital Improvement.

NOTE 10 - SPECIAL ASSESSMENTS

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

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

NOTE 11 - RISK MANAGEMENT

A. Liability Insurance

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors or omissions, and natural disasters. Insurance against loss is provided as follows:

1. Blanket building and personal property insurance, with a \$2,500 deductible and a \$34,296,015 limit on buildings and property in the open, \$13,711,823 limit on business personal property.
2. Vehicle liability insurance with physical damage, comprehensive and collision subject to a \$1,000,000 limit per accident or loss. A comprehensive deductible of \$500 and a collision deductible of \$2,000 applies to two fire trucks.
3. Law enforcement liability coverage with a \$1,000,000 limit and a \$10,000 deductible.
4. Public officials' liability coverage with a \$1,000,000 limit and a \$10,000 deductible.
5. Umbrella liability coverage of \$5,000,000 per occurrence and aggregate.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

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B. Workers' Compensation

The City pays the State Workers' Compensation System, and insurance purchasing pool, a premium based on a rate of \$100 of salaries. The rate is calculated based on accident history and administrative costs for the pool. The City of Wadsworth belongs to the Ohio Rural Water Association pool and receives an extra 4% reduction for membership in the Medina County Safety Council. Managed Care is provided by Comp Management Health Systems.

C. Health Insurance

The City has elected to provide employee medical, prescription, dental, and vision benefits through a self-insurance program with a Stop Loss Policy to insure against specific and aggregate losses. The City maintains a self-insurance fund, number 720, to account for and finance its risk of loss. Stop loss coverage of \$85,000 with an aggregate of \$2,254,208 is purchased, generally 125% of excepted claims. The Fund is financed by assessing City Departments the amount necessary to pay all costs and maintain a reasonable carryover balance. As of December 31, 2007, the Departments were assessed per each employee at the rate of \$410.26 per individual coverage and \$1,086.64 per family coverage. Employee contributions per pay were \$5.00 for single coverage and \$10.00 for family. Coverage is administered by Medical Mutual, a third party administrator.

The plan provides a medical plan with a \$100 deductible per individual and \$200 per family and subject to a 20% co-payment for expenses out of the network.

The Dental Plan is subject to a \$25.00 deductible and no co-payment, with a maximum coverage of \$750 annually.

The City also provides prescription drug insurance to its employees through the self-insurance program. The plan pays the cost of prescriptions with a required co-payment of \$5.00 for generic drugs and \$8.00 for brand name drugs, per retail prescription. The Third party administrator, Paid Prescriptions, reviews the claims, which are then paid by the City.

The claims liability of \$460,092 reported in the self-insurance fund at December 31, 2007 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Services" which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years is as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	\$766,290	\$1,934,187	(\$2,075,198)	\$625,279
2007	\$625,279	\$1,908,342	(\$2,073,529)	\$460,092

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NOTE 12 – CAPITAL ASSETS

The capital asset balances of the governmental activities are as follows:

	Balance 12/31/06	Restatements 01/01/07	Beginning Balance 01/01/07	Additions	Deletions	Balance 12/31/07
Governmental Activities						
Capital Assets, Not Being Depreciated:						
Land	\$4,211,334	\$0	\$4,211,334	\$13,595	\$0	\$4,224,929
Construction in Progress	9,260	0	9,260	0	0	9,260
Total Capital Assets, Not Being Depreciated	4,220,594	0	4,220,594	13,595	0	4,234,189
Capital Assets, Being Depreciated:						
Land Improvements	1,546,447	0	1,546,447	39,427	0	1,585,874
Buildings	7,642,245	0	7,642,245	162,000	0	7,804,245
Equipment	2,120,191	27,202	2,147,393	155,419	(51,459)	2,251,353
Vehicles	4,158,181	322,836	4,481,017	846,694	(256,951)	5,070,760
Infrastructure	28,217,307	152,122	28,369,429	3,002,205	(14,624)	31,357,010
Total Capital Assets, Being Depreciated	43,684,371	502,160	44,186,531	4,205,745	(323,034)	48,069,242
Less Accumulated Depreciation:						
Land Improvements	(701,160)	0	(701,160)	(38,679)	0	(739,839)
Buildings	(2,939,324)	0	(2,939,324)	(182,853)	0	(3,122,177)
Equipment	(1,484,040)	0	(1,484,040)	(133,624)	51,458	(1,566,206)
Vehicles	(2,543,311)	0	(2,543,311)	(305,151)	185,996	(2,662,466)
Infrastructure	(6,690,377)	(21,108)	(6,711,485)	(553,630)	7,568	(7,257,547)
Total Accumulated Depreciation	(14,358,212)	(21,108)	(14,379,320)	(1,213,937)*	245,022	(15,348,235)
Total Capital Assets, Being Depreciated, net	29,326,159	481,052	29,807,211	2,991,808	(78,012)	32,721,007
Governmental Activities Capital Assets, net	<u>\$33,546,753</u>	<u>\$481,052</u>	<u>\$34,027,805</u>	<u>\$3,005,403</u>	<u>(\$78,012)</u>	<u>\$36,955,196</u>

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The capital asset balances of the business-type activities are as follows:

	Balance 12/31/2006	Restatements 01/01/2007	Beginning Balance 01/01/2007	Additions	Deletions	Balance 12/31/2007
Business-Type Activities						
Capital Assets, Not Being Depreciated:						
Land	\$532,217	\$0	\$532,217	\$6,000	\$0	\$538,217
Construction in Progress	15,317,185	0	\$15,317,185	6,226,778	0	\$21,543,963
Infrastructure Work in Progress	1,009,374	0	\$1,009,374	504,817	(359,120)	\$1,155,071
Total Capital Assets, Not Being Depreciated	16,858,776	0	\$16,858,776	\$6,737,595	(\$359,120)	\$23,237,251
Capital Assets, Being Depreciated:						
Land Improvements	7,258	0	7,258	0	0	7,258
Buildings	6,933,962	0	6,933,962	38,802	0	6,972,764
Equipment	2,035,814	1,861	2,037,675	480,579	(41,310)	2,476,944
Infrastructure	56,419,904	462,520	56,882,424	4,123,335	(1,532,748)	59,473,011
Vehicles	4,166,211	0	4,166,211	403,642	(201,886)	4,367,967
Total Capital Assets, Being Depreciated	69,563,149	464,381	70,027,530	5,046,358	(1,775,944)	73,297,944
Less Accumulated Depreciation:						
Land Improvements	(1,815)	0	(1,815)	(363)	0	(2,178)
Buildings	(3,677,024)	0	(3,677,024)	(145,527)	629	(3,821,922)
Equipment	(1,090,161)	(372)	(1,090,533)	(212,915)	30,272	(1,273,176)
Infrastructure	(22,140,315)	(179,006)	(22,319,321)	(2,329,795)	811,122	(23,837,994)
Vehicles	(2,658,455)	0	(2,658,455)	(319,697)	202,886	(2,775,266)
Total Accumulated Depreciation	(29,567,770)	(179,378)	(29,747,148)	(3,008,297)	1,044,909	(31,710,536)
Total Capital Assets, Being Depreciated, net	39,995,379	285,003	40,280,382	2,038,061	(731,035)	41,587,408
Business-Type Activities Capital Assets, net	<u>\$56,854,155</u>	<u>\$285,003</u>	<u>57,139,158</u>	<u>\$8,775,656</u>	<u>(\$1,090,155)</u>	<u>64,824,659</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$203,998
Security of Persons and Property	204,551
Public Health	39,724
Transportation	700,152
Leisure Time Activities	65,512
Total Depreciation Expense	<u>\$1,213,937</u>

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NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. *Public Employees Retirement System*

All employees of the City, with the exclusion of City police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). While members in the state and local division may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

Plan members are required to contribute 9.5% of their annual covered salary to fund pension benefit obligations. The City is required to contribute 13.85%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to the OPERS for the years ending December 31, 2007, 2006, and 2005 were \$876,965, \$972,104, and \$1,014,409, respectively, equal to the required contributions for 2006 and 2005. 93.25% has been contributed for 2007.

B. *Ohio Police and Fire Pension Fund*

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City's contributions for pension obligations to the OP&F Ohio for the years ending December 31, 2007, 2006, and 2005 were \$336,398, \$278,912, and \$269,831, respectively, equal to the required contributions for 2006 and 2005. 94.61% has been contributed for 2007.

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C. *Social Security System*

All volunteer firefighters and Council members, not otherwise covered by another retirement system, are covered by Social Security. The City's liability is 6.2% of wages paid.

NOTE 14 – POST EMPLOYMENT BENEFITS

A. *Public Employees Retirement System*

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers." A portion of each employer's contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer contribution rate was 13.85% of covered payroll. The portion of employer contributions, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. The City's actual contributions for January 1 through June 30, 2007 which were used to fund post-employment benefits were \$263,252 and \$318,200 for July 1 through December 31, 2007.

The assumptions and calculations below were based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4.0% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll over and above the 4.0% base increase of between .50% and 6.3% based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5.0% for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

OPEB's are advance-funded on an actuarially determined basis.

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The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007 and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

B. *Ohio Police and Fire Pension Fund*

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The City's actual contributions for 2007 which were used to fund post-employment benefits were \$129,946 for police and \$35,587 for firefighters.

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The OP&F's total health care expenses for the year ended December 31, 2006; (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, was 14,120 for police and 10,563 for firefighters.

NOTE 15 - COMPENSATED ABSENCES

City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee up to a maximum of 160 days. As of December 31, 2007, the City's liability for compensated absences was \$2,800,475 for governmental activities and \$1,782,380 for business-type activities.

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NOTE 16 – LONG-TERM OBLIGATIONS

	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
1997 City Hall Construction	8.00%	\$3,500,000	December 1, 2009
1968 Liability for Police Past Service Cost	2.36%	\$124,769	May 15, 2035
Business-Type Activities:			
2000 American Municipal Power – Ohio	1.65% - 5.25%	\$11,645,000	February 15, 2022
OWDA LOAN	3.15%	\$23,040,336	January 1, 2028

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due In One Year
Governmental Activities:					
1997 City Hall Construction General Obligation Bond	\$1,060,000	\$0	(\$335,000)	\$725,000	\$355,000
1968 Liability for Police Past Service Cost	102,428	0	(1,905)	100,523	0
Total Long-Term Debt	<u>1,162,428</u>	<u>0</u>	<u>(336,905)</u>	<u>825,523</u>	<u>355,000</u>
Compensated Absences	2,462,412	929,906	(591,843)	2,800,475	468,630
Governmental Activities- Long Term Liabilities	<u>\$3,624,840</u>	<u>\$929,906</u>	<u>(\$928,748)</u>	<u>\$3,625,998</u>	<u>\$823,630</u>
Business-Type Activities:					
2000 American Municipal Power- Ohio Revenue Bonds	\$9,607,083	\$0	(\$458,750)	\$9,148,333	\$475,000
Plus Deferred Amounts:					
Unamortized Premium on Bonds	56,077	0	(2,951)	53,126	2,951
OWDA Loan	15,222,475	5,896,777	0	21,119,252	842,324
Total Long-Term Debt	<u>24,885,635</u>	<u>5,896,777</u>	<u>(461,701)</u>	<u>30,320,711</u>	<u>1,320,275</u>
Compensated Absences	1,712,581	313,220	(243,421)	1,782,380	286,384
Business-Type- Long Term Liabilities	<u>\$26,598,216</u>	<u>\$6,209,997</u>	<u>(\$705,122)</u>	<u>\$32,103,091</u>	<u>\$1,606,659</u>

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

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On March 1, 2003, the City of Wadsworth and American Municipal Power-Ohio, Inc. (AMP-Ohio) amended and restated a loan agreement. In accordance with the agreement, AMP-Ohio issued \$11,645,000 of bonds and loaned the proceeds received from the bonds to the City. The loan proceeds were used to:

1. Refinance notes originally issued to pay the cost of financing the construction and installation of various capital improvements for the municipal electric utility and the telecommunications system of the City;
2. Providing funds for additional improvements to the telecommunications system;
3. Fund a debt service reserve fund; and
4. Pay the costs of issuance of the 2003 bonds.

On January 27, 2005, the City obtained an OWDA loan for improvements to the waste water treatment plant. An additional OWDA loan of \$5,896,777 was obtained by the City in 2007. The loan will not have an accurate repayment schedule until the loan is finalized, and therefore, is not included in the schedule of future annual debt service requirements. The City has pledged future revenues to repay the OWDA loans. The loans are payable solely from revenues generated by the ownership and operation of the sewer utility system. Revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense.

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

The annual requirements to amortize all long-term debt outstanding as of December 31, 2007, are as follows:

Year Ending December 31	GOVERNMENTAL ACTIVITIES			
	Police Past Service Cost		General Obligation	
	Principal	Interest	Principal	Interest
2008	\$1,987	\$4,251	\$355,000	\$35,170
2009	2,072	4,166	370,000	18,130
2010	2,161	4,077	0	0
2011	2,254	3,984	0	0
2012	2,351	3,887	0	0
2013-2017	13,361	17,831	0	0
2018-2022	16,486	14,704	0	0
2023-2027	20,345	10,846	0	0
2028-2032	25,107	6,084	0	0
2033-2035	14,399	918	0	0
Total	<u>\$100,523</u>	<u>\$70,748</u>	<u>\$725,000</u>	<u>\$53,300</u>

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Year Ending December 31	BUSINESS-TYPE ACTIVITIES	
	Revenue Bonds	
	Principal	Interest
2008	\$473,750	\$436,354
2009	493,333	417,307
2010	513,333	396,957
2011	533,333	375,276
2012	553,333	300,670
2013-2017	3,240,333	1,366,774
2018-2022	3,340,918	305,553
Total	<u>\$9,148,333</u>	<u>\$3,598,891</u>

NOTE 17 – CONSTRUCTION COMMITMENTS

The City has an active construction project as of December 31, 2007. The project is for improvements to the waste water treatment plant. To date, the City has spent \$20,213,967 with a remaining commitment of \$1,921,084.

NOTE 18 - CONTINGENT LIABILITIES

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

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

NOTE 19 – INTERFUND TRANSACTIONS

Internal borrowings consist of internal notes and bonds issued by various funds to finance projects internally rather than through outside parties. Each internal note or bond is identified as to which fund is liable for repayment. However, the actual borrowing comes from a pool of funds rather than specific funds. The borrowings pay interest to specified funds based on the percentage of fund balances.

For reporting purposes, these interfund transactions were reflected as an interfund receivable and an interfund payable in the respective funds.

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Following is a detail of Interfund Notes Receivable/Payable, by debt issue, during 2007:

	Balance 01/01/2007	Additions	Deletions	Balance 12/31/2007
Governmental Activities:				
Non-Major Governmental Funds				
2006 Sidewalk Improvements				
Issue: 11/07, Maturity 11/08, Rate 4.50%	\$0	\$143,000	\$0	\$143,000
2007 Street Improvement				
Issue: 11/07, Maturity 11/08, Rate 4.50%	0	80,000	0	80,000
2007 Dispatch Improvements				
Issue: 04/07, Maturity 04/08, Rate 4.50%	0	180,000	0	180,000
2002 Durling Drive Improvements				
Issue: 07/05, Maturity 07/08, Rate 4.50%	75,000	89,000	(75,000)	89,000
2005 Akron Road Improvements				
Issue: 4/05, Maturity 4/08, Rate 4.50%	510,000	1,896,000	(510,000)	1,896,000
2005 Sidewalk Improvements				
Issue: 11/06, Maturity 11/07, Rate 4.50%	62,000	0	(62,000)	0
2006 Street Improvement				
Issue: 11/06, Maturity 11/07, Rate 4.50%	41,200	0	(41,200)	0
2007 Stormwater Improvements				
Issue 11/07, Maturity 11/08, Rate 4.50%	0	275,000	0	275,000
2006 Stormwater Improvements				
Issue 11/07, Maturity 11/08, Rate 4.50%	140,000	130,667	(140,000)	130,667
Airport Improvements				
Issue 11/07, Maturity 11/08, Rate 4.50%	130,000	280,000	(130,000)	280,000
Total Governmental Activities	<u>\$958,200</u>	<u>\$3,073,667</u>	<u>(\$958,200)</u>	<u>\$3,073,667</u>

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	<u>Balance</u> 01/01/2007	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2007
Proprietary Funds:				
Water Fund				
2004 Rogues Hollow Well				
Issue: 12/06, Maturity 12/08, Rate 4.50%	430,000	611,000	(430,000)	611,000
2002 Water Treatment Plant				
Issue: 04/06, Maturity 04/08, Rate 4.50%	160,000	120,000	(160,000)	120,000
1997 Development of Water Wells				
Issue: 09/06, Maturity 09/08, Rate 4.50%	33,060	16,530	(33,060)	16,530
2001 Lagoon Restoration				
Issue: 11/06, Maturity 11/08, Rate 4.50%	56,250	37,500	(56,250)	37,500
2005 Water System Improvements				
Issue: 11/06, Maturity 11/07, Rate 4.00%	36,000	0	(36,000)	0
2007 Water Distribution System Improvement				
Issue: 11/07, Maturity 11/08, Rate 4.50%	0	850,000	0	850,000
Total Water	<u>715,310</u>	<u>1,635,030</u>	<u>(715,310)</u>	<u>1,635,030</u>
Electric Fund				
2003 Broadband Communications				
Issue: 10/06, Maturity 10/08, Rate 4.50%	87,304	87,304	(87,304)	87,304
2004 Broadband Communications				
Issue: 10/06, Maturity 10/08, Rate 4.50%	128,250	128,250	(128,250)	128,250
2005 Broadband Communications				
Issue: 11/06, Maturity 11/08, Rate 4.50%	150,500	150,500	(150,500)	150,500
2006 Broadband Communications				
Issue: 11/06, Maturity 11/08, Rate 4.50%	145,000	145,000	(145,000)	145,000
2007 Broadband Communications				
Issue: 11/07, Maturity 11/08, Rate 4.50%	0	180,000	0	180,000
2006 Valleyview Sub Improvements				
Issue: 11/05, Maturity 11/08, Rate 4.50%	267,500	267,500	(267,500)	267,500
2007 Valleyview Sub Improvements				
Issue: 11/07, Maturity 11/08, Rate 4.50%	0	110,000	0	110,000
2007 Subs/Dist/Meters				
Issue: 11/07, Maturity 11/08, Rate 4.50%	0	771,484	0	771,484
2005 Delivery Point Transformer				
Issue: 11/06, Maturity 11/08, Rate 450%	517,533	517,533	(517,533)	517,533
Total Electric	<u>1,296,087</u>	<u>2,357,571</u>	<u>(1,296,087)</u>	<u>2,357,571</u>

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	<u>Balance</u> <u>01/01/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2007</u>
Sanitation				
2001 Sanitation Equipment Acquisition Issue: 10/05, Maturity 10/08, Rate 4.50%	118,125	78,750	(118,125)	78,750
2006 Transfer Station Improvements Issue: 10/06, Maturity 11/08, Rate 4.50%	270,000	256,500	(270,000)	256,500
Total Sanitation	<u>388,125</u>	<u>335,250</u>	<u>(388,125)</u>	<u>335,250</u>
Telecom				
2006 Broadband Communication Digital Issue: 11/06, Maturity 11/08, Rate 4.50%	256,000	204,800	(256,000)	204,800
2007 Broadband Communication Digital Issue: 11/07, Maturity 11.08, Rate 4.50%	0	295,000	0	295,000
Total Telecom	<u>256,000</u>	<u>499,800</u>	<u>(256,000)</u>	<u>499,800</u>
Total Proprietary Funds	<u><u>\$2,655,522</u></u>	<u><u>\$4,827,651</u></u>	<u><u>(\$2,655,522)</u></u>	<u><u>\$4,827,651</u></u>

CITY OF WADSWORTH, OHIO
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The following is a detail of Interfund Bonds Receivable/Payable, by debt issue during 2007:

	<u>Balance</u> <u>01/01/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2007</u>
Governmental Activities:				
2001 Sidewalk Improvement				
Issue: 09/04, Maturity 09/07, Rate 4.00%	\$1,670	\$0	(\$1,670)	\$0
1993 Great Oaks Extension				
Issue: 09/94, Maturity 09/14, Rate 8.00%	160,329	0	(15,627)	144,702
2002 Sidewalk Improvement				
Issue: 09/04, Maturity 09/09, Rate 4.00%	6,820	0	(2,185)	4,635
1994 Seville Road Sanitary Sewer				
Issue: 07/94, Maturity 07/09, Rate 7.00%	2,004	0	(624)	1,380
1997 Rittman Road Waterline				
Issue: 07/97, Maturity 07/12, Rate 6.50%	13,246	0	(1,875)	11,371
1998 Silvercrest Waterline				
Issue: 10/98, Maturity 10/13, Rate 6.00%	36,552	0	(4,355)	32,197
1999 Silvercrest Sewer				
Issue: 08/99, Maturity 08/14, Rate 6.00%	45,878	0	(4,635)	41,243
1999 Mechanic Street				
Issue: 08/99, Maturity 08/04, Rate 6.00%	20,476	0	(6,432)	14,044
2000 Grace Drive Sanitary Sewer				
Issue 09/00, Maturity 09/15, Rate 8.00%	4,066	0	(326)	3,740
2001 Street Improvement				
Issue 09/02, Maturity 09/07, Rate 4.00%	1,410	0	(1,410)	0
Southeast Downtown				
Issue 08/01, Maturity 08/11, Rate 6.00%	15,325	0	(2,718)	12,607
2002 Street Improvement				
Issue: 09/03, Maturity 09/08, Rate 3.00%	2,767	0	(1,363)	1,404
2003 Sidewalk Improvement				
Issue: 09/03, Maturity 09/09, Rate 4.00%	7,886	0	(2,526)	5,360
2004 Sidewalk Improvement				
Issue: 09/06, Maturity 09/011, Rate 4.50%	8,591	0	(1,570)	7,021
2005 Sidewalk Improvement				
Issue: 10/07, Maturity 10/12, Rate 4.50%	0	9,037	0	9,037
2004 Street Program				
Issue: 9/05, Maturity 9/10, Rate 4.00%	1,013	0	(239)	774
2005 Street Program				
Issue: 9/06, Maturity 9/11, Rate 4.50%	15,428	0	(2,820)	12,608
2006 Street Improvements				
Issue: 12/07, Maturity 12/12, Rate 4.50%	0	17,911	0	17,911
Total Governmental Activities	<u>\$343,461</u>	<u>\$26,948</u>	<u>(\$50,375)</u>	<u>\$320,034</u>

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The following is a detail of Advances In/Out during 2007:

Payable Fund	Receivable Fund
Non-Major Governmental Funds	General Fund - \$70,130
Electric Fund	Telecom Fund - \$185,792

The following is a summary of Interfund Receivable/Payable, outstanding at December 31, 2007:

Notes/Accrued Interest Payable Funds:	Notes/Accrued Interest Receivable Funds					Total Interfund Payable Activity
	General Fund	Income Tax Fund	Non-Major Governmental Funds	Sewer	Telecom	
Governmental Funds:						
Special Assessments	62,999	1,896,000	312,000	0	0	2,270,999
Non-Major Governmental Funds	3,422	0	865,667	0	0	869,089
Total Governmental Notes Receivable	66,421	1,896,000	1,177,667	0	0	3,140,088
Proprietary Funds:						
Telecom	2,897	0	0	499,800	0	502,697
Water	10,030	0	0	1,635,030	0	1,645,060
Electric	14,484	0	0	2,357,571	0	2,372,055
Sanitation	3,141	0	0	335,250	0	338,391
Total Proprietary Notes Receivable	30,552	0	0	4,827,651	0	4,858,203
Bonds/Accrued Interest Receivable Funds						
Bonds/Accrued Interest Payable Funds:						
Governmental Funds:						
Special Assessments	6,579	0	320,034	0	0	326,613
Advances Out Funds						
Advances In Funds	General Fund	Income Tax Fund	Non-Major Governmental Funds	Sewer	Telecom	Total Interfund Payable
	Governmental Funds:					
Special Assessments	3,130	0	0	0	0	3,130
Non-Major Governmental Funds	67,000	0	0	0	0	67,000
Total Governmental Advances Out	70,130	0	0	0	0	70,130
Proprietary Funds:						
Electric	0	0	0	0	185,792	185,792
Total Interfund Receivable Activity	<u>\$173,682</u>	<u>\$1,896,000</u>	<u>\$1,497,701</u>	<u>\$4,827,651</u>	<u>\$185,792</u>	<u>\$8,580,826</u>

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Interfund transfers for the year ended December 31, 2007 consisted of the following:

Fund Basis:

	Transfers In:			Total Transfers Out
	General Fund	Non-Major Governmental Funds	Telecom	
<u>Transfers Out:</u>				
<u>Governmental Funds:</u>				
Income Tax Fund	\$3,400,000	\$2,051,000	\$0	\$5,451,000
<u>Proprietary Funds:</u>				
Electric	0	0	646,658	646,658
Total Transfers In	\$3,400,000	\$2,051,000	\$646,658	\$6,097,658

Entity-Wide Basis:

	Transfers In:	
	Business-Type Activities	Total Transfers Out
<u>Transfers Out:</u>		
<u>Governmental Activities:</u>	\$750,000	\$750,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfer of \$646,658 from the Electric Fund to the Telecom Fund was created for GAAP reporting purposes to reflect the transfer of capital assets. The transfer of \$750,000 from the Governmental Activities to Business-Type activities was created for GAAP reporting purposes to reflect the transfer of capital asset activity in the government-wide statement of activities.

NOTE 20 - RELATED ORGANIZATIONS

On June 30, 2006 the City granted and renewed a franchise to Wadsworth Airport Management Corporation for a period of three years for the operation and maintenance of the Wadsworth Municipal Airport. The City of Wadsworth pays two thousand nine hundred dollars per month to the Wadsworth Airport Management Corporation and pays for liability insurance not to exceed six thousand dollars per year. Wadsworth Airport Management Corporation agrees to pay the City of Wadsworth ten cents per gallon of aviation fuel sold.

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NOTE 21 - JOINT VENTURES

OMEGA JV 1

The City's electric enterprise fund has entered into an ongoing joint venture agreement with other Ohio municipal electric systems to form the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV 1) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1, were transferred to the municipal electrical systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia and Pennsylvania that own and operate electric systems. Each participant has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The City's equity interest in JV 1 is reported in the City's electric enterprise fund. The City's undivided ownership of OMEGA JV 1 is 11.24%. The City's equity interest was \$67,220 for JV 1 at December 31, 2007. The following is a summary of audited financial information of OMEGA JV 1 for the year ended December 31, 2007:

	OMEGA JV 1
Total Assets	\$703,079
Total Liabilities	105,033
Participants Equity	598,046
Total Revenues	178,894
Total Expenses	167,667
Excess of Revenue	
Over Expenses	<u>\$11,227</u>

Additional financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. OMEGA JV 1 is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City.

OMEGA JV 2

The City of Wadsworth is a Financing Participant and an Owner Participant with percentages of liability and ownership of 7.41% and 5.81%, respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV 2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV 2 Project in the amount of their respective Project shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV 2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction and equipping of OMEGA JV 2, including such portions of OMEGA JV 2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement, each

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Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV 2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007, the City of Wadsworth has met their debt coverage obligations.

OMEGA JV 2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 Megawatt (MW) of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV 2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV 2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV 2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV 2. The City's net obligation for these bonds at December 31, 2007 was \$2,332,253 (including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV 2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV 2 was \$2,284,459 at December 31, 2007. Complete financial statements for OMEGA JV 2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2007 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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The City's liability for the bonds is disclosed below:

	Principal	Interest	Total Debt Service
2008	\$157,034	\$139,571	\$296,605
2009	164,812	131,720	296,531
2010	172,960	123,479	296,439
2011	182,219	114,399	296,618
2012	191,848	104,832	296,680
2013 – 2020	1,930,334	441,753	2,372,087
Total Gross Liability	<u>2,799,206</u>	<u>\$1,055,754</u>	<u>\$3,854,961</u>
Less: Amounts Held in Reserve	(466,953)		
Net Obligation	<u>\$2,332,253</u>		

The following is a summary of audited financial information of OMEGA JV 2:

	OMEGA JV 2
Total Assets	\$41,779,200
Total Liabilities	2,428,928
Participants Equity	39,350,272
Total Revenues	2,266,698
Total Expenses	<u>4,812,230</u>
(Deficiency) of Revenue (Under) Expenses	<u>(\$2,545,532)</u>

OMEGA JV 5

The City of Wadsworth is a Financing Participant with an ownership of 5.62% and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV 5). Financing Participants own undivided interests, as tenants in common, in the OMEGA JV 5 Project.

Pursuant to the OMEGA JV 5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction and equipping of OMEGA JV 5, including such portions of OMEGA JV 5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV 5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40 MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV 5 Participants.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV 5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement, each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV 5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007, the City has met their debt coverage obligation.

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The Agreement provides that the failure of any OMEGA JV 5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV 5 may take certain actions including the termination of a defaulting OMEGA JV 5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting OMEGA JV 5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting OMEGA JV 5 Participants, is equal to the defaulting OMEGA JV 5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting OMEGA JV 5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting OMEGA JV 5 Participant's ownership share of the project prior to any such increases.

OMEGA JV 5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001, AMP-Ohio issued \$153,415,000 and \$13,899,981, respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV 5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV 5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV 5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV 5 was \$502,961 at December 31, 2007. Complete financial statements for OMEGA JV 5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The following is a summary of audited financial information of OMEGA JV 5 for the year ended December 31, 2007:

	OMEGA JV 5
Total Assets	\$166,587,790
Total Liabilities	157,638,301
Participants Equity	8,949,489
Total Revenues	24,280,424
Total Expenses	24,052,426
Excess Revenue Over Expenses	<u>\$227,998</u>

OMEGA JV 6

The City of Wadsworth is a Financing Participant with an ownership percentage of 3.47% and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV 6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds

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shall be refunded to the Non-Financing Participants in proportion to each participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement, each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007, the City has met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004, AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City's net obligation for these bonds at December 31, 2007 was \$257,748 (Including amount withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City's net investment and its share of operating results of OMEGA JV6 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV6 was \$305,995 at December 31, 2007. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The ten participating subdivisions and their respective ownership shares at December 31, 2007 are:

Participant	KW Amount	% of Financing
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgeton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
Total	<u>7,200</u>	<u>100.00%</u>

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The City's liability for the bonds is disclosed below:

	Principal	Interest	Total Debt Service
2008	\$24,000	\$10,363	\$34,363
2009	24,000	9,689	33,689
2010	26,000	8,709	34,709
2011	26,000	7,669	33,669
2012	28,000	6,609	34,609
2013 – 2019	144,218	15,464	159,682
Total Gross Liability	272,218	\$58,503	\$330,721
Less: Amounts Held in Reserve	(14,470)		
Net Obligation	\$257,748		

The following is a summary of audited financial information of OMEGA JV 6 for the year ended December 31, 2007:

	OMEGA JV 6
Total Assets	\$9,519,885
Total Liabilities	701,597
Participants Equity	8,818,288
Total Revenues	502,502
Total Expenses	482,075
(Deficiency) of Revenue (Under) Expenses	\$20,427

Woodlawn Union Cemetery

The City is a participant along with Wadsworth Township in a joint venture to establish and manage the Woodlawn Union Cemetery. This establishment is allowable under Ohio Revised Code Section 759.27. This joint venture is considered a separate reporting entity by the City and has not been included in these basic financial statements. Complete financial statements for the Woodlawn Cemetery can be obtained from the Secretary-Treasurer of the Cemetery. Audited financial information for the Cemetery for the year ended December 31, 2007 was as follows:

Total Receipts	\$217,753
Total Disbursements	(\$189,336)
Excess of Receipts Over Disbursements	\$28,417

The Cemetery has no outstanding debt.

NOTE 22 - JOINTLY GOVERNED ORGANIZATION

Municipal Energy Services Agency (MESA)

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

JAMES G. ZUPKA, C.P.A., INC.

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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To Members of City Council
City of Wadsworth, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Wadsworth, Ohio's basic financial statements and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wadsworth, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wadsworth, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wadsworth, Ohio's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Wadsworth, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Wadsworth, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Wadsworth, Ohio's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting: **Item 2007-1, Item 2007-2 and Item 2007-3.**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wadsworth, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are discussed in the accompanying Schedule of Findings and Responses as **Item 2007-1**.

The City of Wadsworth, Ohio's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Wadsworth, Ohio's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the management of the City of Wadsworth, Ohio, in a separate letter dated September 29, 2008.

This report is intended solely for the information and use of management, members of City Council, others within the entity, 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.


James G. Zupka, CPA, Inc.
Certified Public Accountants

September 29, 2008

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Ohio Society of Certified Public Accountants

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

Members of City Council
City of Wadsworth, Ohio

Compliance

We have audited the compliance of the City of Wadsworth, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City of Wadsworth, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Wadsworth, Ohio's management. Our responsibility is to express an opinion on the City of Wadsworth, Ohio's compliance based on our audit.

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

In our opinion, the City of Wadsworth, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance


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

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

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

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

This report is intended solely for the information and use of management, members of City Council, others within the entity, 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.


James G. Zupka, CPA, Inc.
Certified Public Accountants

September 29, 2008

**CITY OF WADSWORTH, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Direct Program Expenditures
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Bulletproof Vest Program	1121-0235	16.607	\$ 3,774
Total U.S. Department of Justice			<u>3,774</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant Program	AF-07-193-1	14.228	200,616
Home Investment Partnership Program	AC-05-193-2	14.239	<u>283,824</u>
<i>Total Passed Through Ohio Department of Development</i>			<u>484,440</u>
Total U.S. Department of Housing and Urban Development			<u>484,440</u>
<u>U.S. Department of Aviation</u>			
<i>Direct Program</i>			
Airport Improvement Program	3-39-0083	20.106	<u>35,460</u>
Total U.S. Department of Aviation			<u>35,460</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 523,674</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF WADSWORTH, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards of the City presents the activity of all federal financial assistance programs to the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

**CITY OF WADSWORTH, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 FOR THE YEAR ENDED DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(I)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list): Home Investment Partnership Program - CFDA #14.239	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: > all others
2007(ix)	Low Risk Auditee?	No

**CITY OF WADSWORTH, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

Item 2007-1: Filing of Financial Report

Condition and Criteria

Ohio Revised Code Section 117.38 states that GAAP-basis entities must file annual reports within 150 days of year end. During our review of the City, we noted that the City filed its annual GAAP report on September 12, 2008, which is after the 150 days mandated by Ohio Revised Code Section 117.38.

Cause

The City did not file its 2007 GAAP report until the latter part of 2008.

Effect

The City did not comply with Ohio Revised Code Section 117.38.

Recommendation

We recommend that the City file its GAAP report timely to ensure compliance with Ohio Revised Code Section 117.38.

Corrective Action Plan

The City will implement this recommendation for the 2008 report.

**CITY OF WADSWORTH, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

Item 2007-2: Bank Reconciliations

Condition and Criteria

During our review of the City's cash, we noted that the City is not preparing bank reconciliations on a timely basis. We also noted that there is no indication of approval of these reconciliations.

Cause

The City's finance department has a limited staff.

Effect

Not reconciling and reviewing the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendations

We recommend that the City reconcile all bank accounts each month in order to maintain adequate control over both cash receipts and cash disbursements. We also recommend that the reconciliations be signed as an indication of approval by the City Treasurer and City Auditor.

Corrective Action Plan

The City will implement this recommendation in 2008.

**CITY OF WADSWORTH, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

Item 2007-3: Telecommunication Activity

Condition and Criteria

In December 2004, City Council requested that telecommunication activity be segregated from other activity in the Electric Fund to enable City Council to determine costs of services for cable/internet services provided to its citizens. The City did not finalize implementation of this request until fiscal year 2007, which caused a restatement of the financial statements.

Cause

The City's Finance Department has a limited staff.

Effect

Unable to provide timely information for effective analysis of charges for services and related costs of that service and cause a restatement of the financial statements.

Recommendation

We recommend that the City process requests from Council more timely, which will result in more accurate information on which to base management decisions.

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

None.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2006-001	Ohio Revised Code Section 117.38 - Filing of Annual Reports	No	Partially corrected. Re-issued as Finding No. 2007-001.
2006-002	Timely Bank Reconciliations	No	Partially corrected. Reissued as Finding No. 2007-002.
2006-003	Ohio Revised Code Section 5705.39 - Appropriations Exceed Estimated Revenues	Yes	Corrected in 2007.
2006-004	Reporting of Capital Assets	Yes	Corrected in 2007.



Mary Taylor, CPA
Auditor of State

CITY OF WADSWORTH

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 18, 2008**