



Dave Yost • Auditor of State



**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	24
Statement of Net Position Proprietary Funds .....	25
Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds .....	26
Statement of Cash Flows Proprietary Funds .....	27
Statement of Fiduciary Assets and Liabilities Fiduciary Funds.....	28
Notes to the Basic Financial Statements .....	29
Federal Awards Receipts and Expenditures Schedule.....	69
Notes to the Federal Awards Receipts and Expenditures Schedule .....	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	71
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	73
Schedule of Findings.....	75

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Wadsworth City School District  
Medina County  
524 Broad Street  
Wadsworth, Ohio 44281

To the Board of Education:

### ***Report on the Financial Statements***

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 Wadsworth City School District, Medina County, Ohio, (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Wadsworth City School District, Medina County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 20, 2015

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**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The management's discussion and analysis of the Wadsworth City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position increased \$933,003. Net position of governmental activities increased \$942,914, which represents a 1.34% increase from 2013's net position. Net position of business-type activities decreased \$9,911 from 2013.
- Governmental activities general revenues accounted for \$45,654,676 in revenues or 85.07% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$8,014,712 or 14.93% of total governmental activities revenues of \$53,669,388.
- The District had \$52,726,474 in expenses related to governmental activities; only \$8,014,712 of these expenses were offset by program specific charges for services, operating and capital grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$45,654,676 were adequate to provide for these programs.
- The District had \$42,591 in expenses related to business-type activities; a total of \$32,680 was offset by program specific charges for services. Total revenues were not adequate to provide for these programs by \$9,911 resulting in a decrease in net position from \$17,055 to a balance of \$7,144.
- The District's major funds are the general fund, the debt service fund and the classroom facilities fund. The general fund had \$41,313,621 in revenues and other financing sources and \$39,214,462 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$2,099,159 from a balance of \$6,663,138 to a balance of \$8,762,297.
- The debt service fund had \$7,768,786 in revenues and \$6,866,210 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$902,576 from a balance of \$4,715,274 to a balance of \$5,617,850.
- The classroom facilities fund had \$633,185 in revenues and other financing sources and \$244,309 in expenditures. During fiscal year 2014, the classroom facilities fund's fund balance increased \$388,876 from a balance of \$5,362,563 to a balance of \$5,751,439.

**Using these Basic Financial Statements**

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the debt service fund and the classroom facilities fund are the only major funds.

**Reporting the District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

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

**Business-type Activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's recreation programs are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 17-19 of this report.

**Reporting the District's Most Significant Fund**

**Fund Financial Statements**

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major funds are the general fund, debt service fund and classroom facilities fund.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 20-24 of this report.

***Proprietary Funds***

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for student activities and the Four Cities Educational Compact. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-67 of this report.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b><u>Assets</u></b>						
Current assets	\$ 48,468,926	\$ 48,019,321	\$ 10,497	\$ 17,055	\$ 48,479,423	\$ 48,036,376
Capital assets, net	<u>151,643,560</u>	<u>154,133,336</u>	<u>-</u>	<u>-</u>	<u>151,643,560</u>	<u>154,133,336</u>
Total assets	<u>200,112,486</u>	<u>202,152,657</u>	<u>10,497</u>	<u>17,055</u>	<u>200,122,983</u>	<u>202,169,712</u>
<b><u>Deferred outflows</u></b>						
Deferred outflows	<u>379,968</u>	<u>422,186</u>	<u>-</u>	<u>-</u>	<u>379,968</u>	<u>422,186</u>
<b><u>Liabilities</u></b>						
Current liabilities	5,777,588	7,342,702	3,353	-	5,780,941	7,342,702
Long-term liabilities	<u>103,181,370</u>	<u>105,926,001</u>	<u>-</u>	<u>-</u>	<u>103,181,370</u>	<u>105,926,001</u>
Total liabilities	<u>108,958,958</u>	<u>113,268,703</u>	<u>3,353</u>	<u>-</u>	<u>108,962,311</u>	<u>113,268,703</u>
<b><u>Deferred inflows</u></b>						
Deferred inflows	<u>19,966,790</u>	<u>18,682,348</u>	<u>-</u>	<u>-</u>	<u>19,966,790</u>	<u>18,682,348</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	58,488,092	58,785,158	-	-	58,488,092	58,785,158
Restricted	12,079,701	16,463,852	-	-	12,079,701	16,463,852
Unrestricted (deficit)	<u>998,913</u>	<u>(4,625,218)</u>	<u>7,144</u>	<u>17,055</u>	<u>1,006,057</u>	<u>(4,608,163)</u>
Total net position	<u>\$ 71,566,706</u>	<u>\$ 70,623,792</u>	<u>\$ 7,144</u>	<u>\$ 17,055</u>	<u>\$ 71,573,850</u>	<u>\$ 70,640,847</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$71,573,850. Of this amount, \$71,566,706 is reported in governmental activities and \$7,144 is reported in business-type activities.

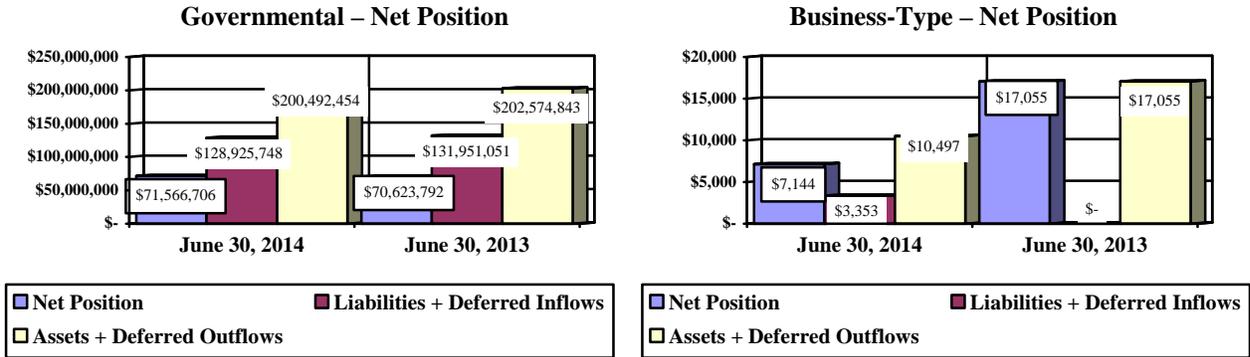
At year end, capital assets represented 75.78% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. Net investment in capital assets at June 30, 2014, was \$58,488,092. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$12,079,701, represents resources that are subject to external restriction on how they may be used.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The graphs below show the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.



The table below shows the changes in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 3,012,008	\$ 2,903,145	\$ 32,680	\$ 33,026	\$ 3,044,688	\$ 2,936,171
Operating grants and contributions	4,004,594	3,429,175	-	-	4,004,594	3,429,175
Capital grants and contributions	998,110	1,034,057	-	-	998,110	1,034,057
General revenues:						
Property taxes	24,290,476	24,315,115	-	-	24,290,476	24,315,115
Payment in lieu of taxes	91,812	-	-	-	91,812	-
Grants and entitlements	19,413,103	18,745,702	-	-	19,413,103	18,745,702
Shared sales taxes	1,515,935	1,390,165	-	-	1,515,935	1,390,165
Investment earnings	9,697	11,327	-	-	9,697	11,327
Decrease in FMV of investments	(1,430)	(216,437)	-	-	(1,430)	(216,437)
Miscellaneous	335,083	207,462	-	-	335,083	207,462
<b>Total revenues</b>	<b>53,669,388</b>	<b>51,819,711</b>	<b>32,680</b>	<b>33,026</b>	<b>53,702,068</b>	<b>51,852,737</b>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

	Governmental Activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	20,663,956	23,069,745	-	-	20,663,956	23,069,745
Special	4,070,520	3,692,423	-	-	4,070,520	3,692,423
Vocational	1,767,089	1,856,606	-	-	1,767,089	1,856,606
Adult/continuing	-	12,342	-	-	-	12,342
Other	1,416,857	1,685,901	-	-	1,416,857	1,685,901
Support services:						
Pupil	4,022,118	3,921,313	-	-	4,022,118	3,921,313
Instructional staff	252,153	1,455,480	-	-	252,153	1,455,480
Board of education	175,018	396,759	-	-	175,018	396,759
Administration	3,980,368	4,444,430	-	-	3,980,368	4,444,430
Fiscal	988,510	1,045,558	-	-	988,510	1,045,558
Operations and maintenance	4,671,512	5,573,399	-	-	4,671,512	5,573,399
Pupil transportation	1,987,491	2,083,822	-	-	1,987,491	2,083,822
Central	534,269	1,124,425	-	-	534,269	1,124,425
Operation of non-instructional services						
Other non-instructional services	359,432	450,172	-	-	359,432	450,172
Food service operations	1,535,365	1,667,914	-	-	1,535,365	1,667,914
Extracurricular activities	1,326,048	1,316,845	-	-	1,326,048	1,316,845
Interest and fiscal charges	4,975,768	4,987,822	-	-	4,975,768	4,987,822
Recreation	-	-	42,591	15,971	42,591	15,971
Total expenses	<u>52,726,474</u>	<u>58,784,956</u>	<u>42,591</u>	<u>15,971</u>	<u>52,769,065</u>	<u>58,800,927</u>
Changes in net position	<u>942,914</u>	<u>(6,965,245)</u>	<u>(9,911)</u>	<u>17,055</u>	<u>933,003</u>	<u>(6,948,190)</u>
Net position at beginning of year	<u>70,623,792</u>	<u>77,589,037</u>	<u>17,055</u>	<u>-</u>	<u>70,640,847</u>	<u>77,589,037</u>
Net position at end of year	<u>\$ 71,566,706</u>	<u>\$ 70,623,792</u>	<u>\$ 7,144</u>	<u>\$ 17,055</u>	<u>\$ 71,573,850</u>	<u>\$ 70,640,847</u>

**Governmental Activities**

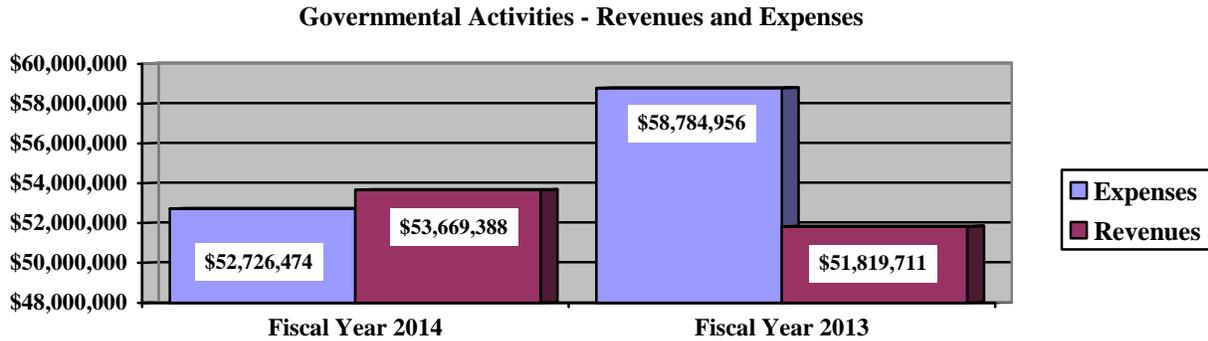
Net position of the District's governmental activities increased \$942,914. Total governmental expenses of \$52,726,474 were offset by program revenues of \$8,014,712 and general revenues of \$45,654,676. Program revenues supported 15.20% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, grants and entitlements not restricted to specific programs, capital grants not restricted to specific purposes and shared sales taxes. These revenue sources represent 83.40% of total governmental revenue.

Total revenues increased \$1,849,677 during the current fiscal year. The majority of the increase is due to a \$667,401 increase in grants and entitlements and a \$575,419 increase in operating grants and contribution revenue. Grants and entitlements increased due to an increase in State foundation revenue. Revenues related to operating grants and contributions increased due to an increase in the revenues received related to the IDEA, Part B and Improving Teacher Quality grants.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements.

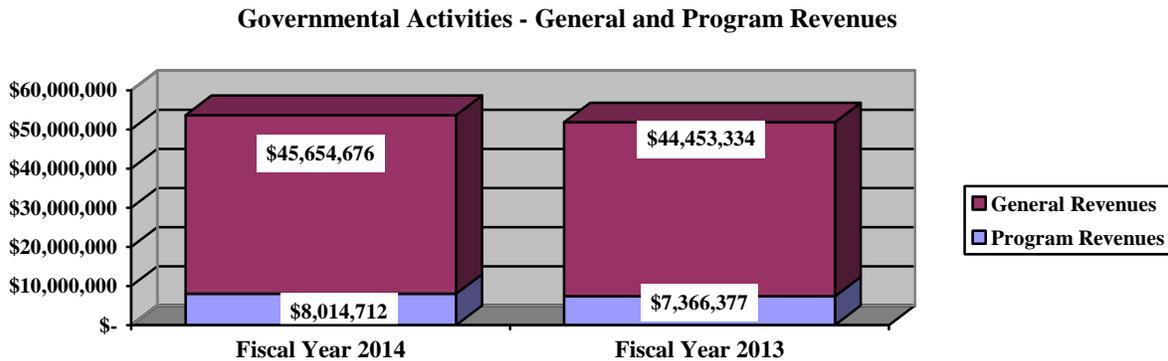
	<b>Governmental Activities</b>			
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses:				
Instruction:				
Regular	\$ 20,663,956	\$ 19,979,846	\$ 23,069,745	\$ 22,382,722
Special	4,070,520	1,210,940	3,692,423	1,682,082
Vocational	1,767,089	1,315,053	1,856,606	1,249,928
Adult/continuing	-	-	12,342	543
Other	1,416,857	1,416,857	1,685,901	1,685,901
Support services:				
Pupil	4,022,118	3,861,060	3,921,313	3,716,552
Instructional staff	252,153	228,889	1,455,480	1,306,265
Board of Education	175,018	175,018	396,759	396,759
Administration	3,980,368	3,624,151	4,444,430	4,125,973
Fiscal	988,510	988,510	1,045,558	1,045,558
Operations and maintenance	4,671,512	4,616,160	5,573,399	5,511,577
Pupil transportation	1,987,491	1,916,572	2,083,822	2,021,908
Central	534,269	503,913	1,124,425	1,095,066
Operation of non-instructional services:				
Other non-instructional services	359,432	99	450,172	94,512
Food service operations	1,535,365	78,427	1,667,914	284,941
Extracurricular activities	1,326,048	818,609	1,316,845	864,527
Interest and fiscal charges	4,975,768	3,977,658	4,987,822	3,953,765
<b>Total expenses</b>	<b><u>\$ 52,726,474</u></b>	<b><u>\$ 44,711,762</u></b>	<b><u>\$ 58,784,956</u></b>	<b><u>\$ 51,418,579</u></b>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent; 85.69% of instruction activities in fiscal year 2014 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.80%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.



**Business-Type Activities**

Business-type activities include recreation. This program had revenues of \$32,680 and expenses of \$42,591 for fiscal year 2014. This resulted in a decrease to net position for the fiscal year of \$9,911. This fund is intended to be self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$21,857,324 which is higher than last year's balance of \$20,377,334. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$ 8,762,297	\$ 6,663,138	\$ 2,099,159
Debt Service	5,617,850	4,715,274	902,576
Classroom facilities	5,751,439	5,362,563	388,876
Other governmental	1,725,738	3,636,359	(1,910,621)
<b>Total</b>	<b>\$ 21,857,324</b>	<b>\$ 20,377,334</b>	<b>\$ 1,479,990</b>

**General Fund**

The District's general fund balance increased \$2,099,159. During the year general fund tax revenues increased \$516,671 due to an increase in real estate revenues collected during the fiscal year. Intergovernmental revenue increased due to an increase in State foundation monies received during the current fiscal year. Instruction services increased slightly during the year mostly due to personnel costs.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 19,182,582	\$ 18,665,911	2.77 %
Earnings on investments	9,735	13,824	(29.58) %
Intergovernmental	19,715,535	18,100,652	8.92 %
Other revenues	<u>1,914,298</u>	<u>1,713,303</u>	11.73 %
Total	<u>\$ 40,822,150</u>	<u>\$ 38,493,690</u>	6.05 %
<b><u>Expenditures</u></b>			
Instruction	\$ 23,878,934	\$ 22,448,779	6.37 %
Support services	14,442,674	14,738,356	(2.01) %
Extracurricular activities	658,915	649,023	1.52 %
Facilities acquisition and construction	49,633	8,032	517.94 %
Debt service	<u>179,306</u>	<u>-</u>	100.00 %
Total	<u>\$ 39,209,462</u>	<u>\$ 37,844,190</u>	3.61 %

**Debt Service Fund**

The debt service fund had \$7,768,786 in revenues and \$6,866,210 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$902,576 from a balance of \$4,715,274 to a balance of \$5,617,850. The increase is primarily due to the receipt of additional tax revenues and the decrease in debt service payments.

**Classroom Facilities Fund**

The classroom facilities fund had \$633,185 in revenues and other financing sources and \$244,309 in expenditures. During fiscal year 2014, the classroom facilities fund's fund balance increased \$388,876 from a balance of \$5,362,563 to a balance of \$5,751,439. The classroom facilities fund had construction expenditures of approximately \$20 million in fiscal year 2013 related to the District's Ohio School Facilities Commission project.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2014, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$42,503,535, which was higher than the original budgeted revenues estimate of \$38,865,516. Actual revenues and other financing sources for fiscal year 2014 were \$42,503,535. This is the same figure that was used for the final budgeted revenues.

General fund original appropriations and other financing uses of \$40,686,520 were increased by \$42,478,357 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$42,478,357. This is the same figure that was used for the final budgeted appropriations.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the District had \$151,643,560 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. This entire amount is reported in governmental activities.

The following table shows fiscal year 2014 balances compared to 2013:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,868,652	\$ 1,868,652
Construction in progress	48,400	1,733,588
Land improvements	1,920,000	509,298
Building and improvements	143,395,894	145,464,755
Furniture and equipment	3,515,088	3,754,107
Vehicles	761,735	666,690
Textbooks	<u>133,791</u>	<u>136,246</u>
<b>Total</b>	<b><u>\$ 151,643,560</u></b>	<b><u>\$ 154,133,336</u></b>

The overall decrease in capital assets is due to depreciation expense of \$4,897,259 and disposals (net of accumulated depreciation) of \$19,932 exceeding capital outlays of \$2,427,415 in the current period.

See Note 8 to the basic financial statements for detail on the District's capital assets.

**Debt Administration**

At June 30, 2014, the District had \$86,257,387 in general obligation bonds, \$309,713 in lease purchase agreements and \$11,900,000 in capital lease – certificates of participation. Of this total, \$4,346,426 is due within one year and \$94,120,674 is due within greater than one year. The following table summarizes the liabilities outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 86,257,387	\$ 88,335,223
Lease purchase agreement obligation	309,713	-
Capital lease - COP	<u>11,900,000</u>	<u>12,765,000</u>
<b>Total</b>	<b><u>\$ 98,467,100</u></b>	<b><u>\$ 101,100,223</u></b>

See Note 13 to the basic financial statements for detail on the District's debt administration.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

**Current Financial Related Activities**

The District continues to receive support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the District was in November 2011, with the promise that the revenue generated by a levy would provide sufficient funding for five years.

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

Thus, the District's dependence upon property taxes is hampered by a lack of revenue growth, and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48.36% of revenues for governmental activities for the District in fiscal year 2014.

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

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

The District anticipates revenue growth for fiscal year 2014 and 2015 with the passing of HB59 the Biennial Budget. The District has not seen revenue growth from state funding in previous fiscal years including fiscal year 2014.

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Douglas Beeman, Treasurer of Wadsworth City School District, 524 Broad Street., Wadsworth, Ohio 44281, e-mail [wadc\\_beeman@wadsworthschools.org](mailto:wadc_beeman@wadsworthschools.org).

**BASIC  
FINANCIAL STATEMENTS**

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 23,963,802	\$ 10,497	\$ 23,974,299
Cash with fiscal agent . . . . .	29,913	-	29,913
Receivables:			
Property taxes . . . . .	22,342,573	-	22,342,573
Payment in lieu of taxes . . . . .	91,812	-	91,812
Accounts . . . . .	564,685	-	564,685
Accrued interest . . . . .	1,205	-	1,205
Shared sales taxes . . . . .	901,410	-	901,410
Intergovernmental . . . . .	451,968	-	451,968
Materials and supplies inventory . . . . .	121,558	-	121,558
Capital assets:			
Land and construction in progress . . . . .	1,917,052	-	1,917,052
Depreciable capital assets, net . . . . .	149,726,508	-	149,726,508
Capital assets, net . . . . .	<u>151,643,560</u>	<u>-</u>	<u>151,643,560</u>
Total assets . . . . .	<u>200,112,486</u>	<u>10,497</u>	<u>200,122,983</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding . . . . .	379,968	-	379,968
Total deferred outflows of resources . . . . .	<u>379,968</u>	<u>-</u>	<u>379,968</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	158,757	3,353	162,110
Contracts payable . . . . .	212,866	-	212,866
Retainage payable . . . . .	597,394	-	597,394
Accrued wages and benefits . . . . .	3,407,333	-	3,407,333
Pension obligation payable . . . . .	771,532	-	771,532
Intergovernmental payable . . . . .	284,639	-	284,639
Accrued interest payable . . . . .	345,067	-	345,067
Long-term liabilities:			
Due within one year . . . . .	4,697,622	-	4,697,622
Due in more than one year . . . . .	98,483,748	-	98,483,748
Total liabilities . . . . .	<u>108,958,958</u>	<u>3,353</u>	<u>108,962,311</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	19,874,978	-	19,874,978
Payment in lieu of taxes levied for the next fiscal year . . . . .	91,812	-	91,812
Total deferred inflows of resources . . . . .	<u>19,966,790</u>	<u>-</u>	<u>19,966,790</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	58,488,092	-	58,488,092
Restricted for:			
Capital projects . . . . .	7,157,929	-	7,157,929
Classroom facilities maintenance . . . . .	1,483,073	-	1,483,073
Debt service . . . . .	2,476,441	-	2,476,441
Locally funded programs . . . . .	26,090	-	26,090
State funded programs . . . . .	40,642	-	40,642
Federally funded programs . . . . .	17,567	-	17,567
Student activities . . . . .	131,305	-	131,305
Other purposes . . . . .	746,654	-	746,654
Unrestricted . . . . .	998,913	7,144	1,006,057
Total net position . . . . .	<u>\$ 71,566,706</u>	<u>\$ 7,144</u>	<u>\$ 71,573,850</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 20,663,956	\$ 548,514	\$ 135,596	\$ -
Special . . . . .	4,070,520	578,776	2,280,804	-
Vocational . . . . .	1,767,089	130,144	321,892	-
Other . . . . .	1,416,857	-	-	-
Support services:				
Pupil. . . . .	4,022,118	-	161,058	-
Instructional staff . . . . .	252,153	-	23,264	-
Board of education . . . . .	175,018	-	-	-
Administration. . . . .	3,980,368	216,549	139,668	-
Fiscal. . . . .	988,510	-	-	-
Operations and maintenance . . . . .	4,671,512	49,869	5,483	-
Pupil transportation. . . . .	1,987,491	15,527	55,392	-
Central . . . . .	534,269	2,696	27,660	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	359,432	139,897	219,436	-
Food service operations . . . . .	1,535,365	822,602	634,336	-
Extracurricular activities. . . . .	1,326,048	507,434	5	-
Interest and fiscal charges . . . . .	4,975,768	-	-	998,110
Total governmental activities . . . . .	<u>52,726,474</u>	<u>3,012,008</u>	<u>4,004,594</u>	<u>998,110</u>
<b>Business-type activities:</b>				
Recreation. . . . .	<u>42,591</u>	<u>32,680</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>42,591</u>	<u>32,680</u>	<u>-</u>	<u>-</u>
Totals . . . . .	<u>\$ 52,769,065</u>	<u>\$ 3,044,688</u>	<u>\$ 4,004,594</u>	<u>\$ 998,110</u>

**General revenues:**

Property taxes levied for:
General purposes . . . . .
Debt service. . . . .
Payment in lieu of taxes . . . . .
Grants and entitlements not restricted to specific programs:
General purposes . . . . .
Capital grants. . . . .
Classroom facilities and maintenance. . . . .
Shared sales taxes. . . . .
Investment earnings . . . . .
Decrease in FMV of investments. . . . .
Miscellaneous . . . . .
Total general revenues . . . . .
Change in net position . . . . .
<b>Net position at beginning of year . . . . .</b>
<b>Net position at end of year. . . . .</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>		<b>Business-Type Activities</b>	<b>Total</b>
\$	(19,979,846)	\$ -	\$ (19,979,846)
	(1,210,940)	-	(1,210,940)
	(1,315,053)	-	(1,315,053)
	(1,416,857)	-	(1,416,857)
	(3,861,060)	-	(3,861,060)
	(228,889)	-	(228,889)
	(175,018)	-	(175,018)
	(3,624,151)	-	(3,624,151)
	(988,510)	-	(988,510)
	(4,616,160)	-	(4,616,160)
	(1,916,572)	-	(1,916,572)
	(503,913)	-	(503,913)
	(99)	-	(99)
	(78,427)	-	(78,427)
	(818,609)	-	(818,609)
	(3,977,658)	-	(3,977,658)
	<u>(44,711,762)</u>	<u>-</u>	<u>(44,711,762)</u>
	-	<u>(9,911)</u>	<u>(9,911)</u>
	-	<u>(9,911)</u>	<u>(9,911)</u>
	<u>(44,711,762)</u>	<u>(9,911)</u>	<u>(44,721,673)</u>
	18,616,261	-	18,616,261
	5,674,215	-	5,674,215
	91,812	-	91,812
	18,952,405	-	18,952,405
	104,193	-	104,193
	356,505	-	356,505
	1,515,935	-	1,515,935
	9,697	-	9,697
	(1,430)	-	(1,430)
	<u>335,083</u>	<u>-</u>	<u>335,083</u>
	<u>45,654,676</u>	<u>-</u>	<u>45,654,676</u>
	942,914	(9,911)	933,003
	<u>70,623,792</u>	<u>17,055</u>	<u>70,640,847</u>
\$	<u>71,566,706</u>	\$ <u>7,144</u>	\$ <u>71,573,850</u>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Debt Service	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 8,718,769	\$ 4,960,018	\$ 6,423,314	\$ 3,861,701	\$ 23,963,802
Cash with fiscal agent . . . . .	29,913	-	-	-	29,913
Receivables:					
Property taxes . . . . .	16,801,596	5,540,977	-	-	22,342,573
Payment in lieu of taxes . . . . .	91,812	-	-	-	91,812
Accounts . . . . .	422,251	141,212	-	1,222	564,685
Accrued interest . . . . .	1,205	-	-	-	1,205
Shared sales taxes . . . . .	-	-	-	901,410	901,410
Interfund loans . . . . .	2,200,465	-	-	-	2,200,465
Intergovernmental . . . . .	290,169	-	-	161,799	451,968
Materials and supplies inventory . . . . .	112,027	-	-	9,531	121,558
Total assets . . . . .	<u>\$ 28,668,207</u>	<u>\$ 10,642,207</u>	<u>\$ 6,423,314</u>	<u>\$ 4,935,663</u>	<u>\$ 50,669,391</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 136,426	\$ -	\$ -	\$ 22,331	\$ 158,757
Contracts payable . . . . .	48,400	-	74,481	89,985	212,866
Retainage payable . . . . .	-	-	597,394	-	597,394
Accrued wages and benefits . . . . .	3,207,005	-	-	200,328	3,407,333
Compensated absences payable . . . . .	207,456	-	-	-	207,456
Interfund loans payable . . . . .	-	-	-	2,200,465	2,200,465
Intergovernmental payable . . . . .	273,912	-	-	10,727	284,639
Pension obligation payable . . . . .	721,830	-	-	49,702	771,532
Total liabilities . . . . .	<u>4,595,029</u>	<u>-</u>	<u>671,875</u>	<u>2,573,538</u>	<u>7,840,442</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	14,926,731	4,948,247	-	-	19,874,978
Delinquent property tax revenue not available . . . . .	236,515	76,110	-	-	312,625
Accrued interest not available . . . . .	986	-	-	-	986
Intergovernmental revenue not available . . . . .	54,837	-	-	161,799	216,636
Payment in lieu of taxes levied for the next fiscal year . . . . .	91,812	-	-	-	91,812
Shared sales taxes . . . . .	-	-	-	474,588	474,588
Total deferred inflows of resources . . . . .	<u>15,310,881</u>	<u>5,024,357</u>	<u>-</u>	<u>636,387</u>	<u>20,971,625</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	112,027	-	-	9,531	121,558
Restricted:					
Debt service . . . . .	-	5,617,850	-	-	5,617,850
Capital improvements . . . . .	-	-	5,751,439	940,778	6,692,217
Classroom facilities maintenance . . . . .	-	-	-	1,483,073	1,483,073
Food service operations . . . . .	-	-	-	608,674	608,674
Non-public schools . . . . .	-	-	-	54,860	54,860
Special education . . . . .	-	-	-	116,921	116,921
Other purposes . . . . .	-	-	-	126,929	126,929
Extracurricular activities . . . . .	-	-	-	131,305	131,305
Committed:					
Student and staff support . . . . .	29,900	-	-	-	29,900
Student instruction . . . . .	160,725	-	-	-	160,725
Facilities acquisition and construction . . . . .	121,000	-	-	-	121,000
Assigned:					
Student instruction . . . . .	77,312	-	-	-	77,312
Student and staff support . . . . .	441,937	-	-	-	441,937
Extracurricular activities . . . . .	9,105	-	-	-	9,105
Facilities acquisition and construction . . . . .	63,543	-	-	-	63,543
Uniform school supplies . . . . .	10,913	-	-	-	10,913
Subsequent year's appropriations . . . . .	280,629	-	-	-	280,629
Adult education . . . . .	3,306	-	-	-	3,306
Employee benefits . . . . .	43,592	-	-	-	43,592
Other purposes . . . . .	236,997	-	-	-	236,997
Unassigned (deficit) . . . . .	7,171,311	-	-	(1,746,333)	5,424,978
Total fund balances . . . . .	<u>8,762,297</u>	<u>5,617,850</u>	<u>5,751,439</u>	<u>1,725,738</u>	<u>21,857,324</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 28,668,207</u>	<u>\$ 10,642,207</u>	<u>\$ 6,423,314</u>	<u>\$ 4,935,663</u>	<u>\$ 50,669,391</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$ 21,857,324
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		151,643,560
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 312,625	
Sales taxes receivable	474,588	
Accrued interest receivable	986	
Intergovernmental receivable	216,636	
Total		1,004,835
Unamortized premiums on bond issuances are not recognized in the funds.		(2,785,534)
Unamortized deferred losses on refundings are not recognized in the funds.		379,968
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(345,067)
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	(83,471,853)	
Capital lease obligation - COP	(11,900,000)	
Lease purchase agreement	(309,713)	
Compensated absences	(4,506,814)	
Total		(100,188,380)
<b>Net position of governmental activities</b>		<b>\$ 71,566,706</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 19,182,582	\$ 5,839,768	\$ -	\$ -	\$ 25,022,350
Payment in lieu of taxes . . . . .	91,812	-	-	-	91,812
Tuition . . . . .	942,051	-	-	208,474	1,150,525
Transportation fees. . . . .	15,527	-	-	-	15,527
Earnings on investments . . . . .	9,735	-	28	1,018	10,781
Charges for services . . . . .	-	-	-	822,602	822,602
Extracurricular. . . . .	303,049	-	-	369,437	672,486
Classroom materials and fees . . . . .	223,611	-	-	-	223,611
Rental income . . . . .	49,098	-	-	-	49,098
Contributions and donations . . . . .	174,499	-	-	12,000	186,499
Contract services. . . . .	75,463	-	-	29,974	105,437
Other local revenues . . . . .	43,517	119,875	-	11,360	174,752
Intergovernmental - intermediate . . . . .	-	-	-	418,799	418,799
Intergovernmental - state . . . . .	19,621,912	811,033	74,219	228,619	20,735,783
Intergovernmental - federal . . . . .	93,623	998,110	-	2,059,548	3,151,281
Shared sales taxes. . . . .	-	-	-	1,480,888	1,480,888
Increase (decrease) in FMV of investments. . . . .	(4,329)	-	527,744	(524,845)	(1,430)
<b>Total revenues . . . . .</b>	<b>40,822,150</b>	<b>7,768,786</b>	<b>601,991</b>	<b>5,117,874</b>	<b>54,310,801</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular. . . . .	18,239,425	-	-	204,712	18,444,137
Special . . . . .	2,720,017	-	-	862,355	3,582,372
Vocational . . . . .	1,503,135	-	-	110,676	1,613,811
Other . . . . .	1,416,357	-	-	-	1,416,357
Support services:					
Pupil . . . . .	3,393,586	-	-	173,743	3,567,329
Instructional staff. . . . .	314,554	-	-	23,205	337,759
Board of education . . . . .	172,484	-	-	-	172,484
Administration . . . . .	3,419,103	-	-	138,191	3,557,294
Fiscal . . . . .	830,306	107,566	-	-	937,872
Operations and maintenance . . . . .	4,081,425	-	-	254,772	4,336,197
Pupil transportation . . . . .	1,833,330	-	-	5,030	1,838,360
Central . . . . .	397,886	-	125	28,329	426,340
Operation of non-instructional services:					
Other non-instructional services . . . . .	-	-	-	325,620	325,620
Food service operations. . . . .	-	-	-	1,382,828	1,382,828
Extracurricular activities . . . . .	658,915	-	-	394,774	1,053,689
Facilities acquisition and construction. . . . .	49,633	-	244,184	2,023,594	2,317,411
Debt service:					
Principal retirement. . . . .	175,839	2,460,000	-	865,000	3,500,839
Interest and fiscal charges . . . . .	3,467	4,298,644	-	259,007	4,561,118
<b>Total expenditures . . . . .</b>	<b>39,209,462</b>	<b>6,866,210</b>	<b>244,309</b>	<b>7,051,836</b>	<b>53,371,817</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	1,612,688	902,576	357,682	(1,933,962)	938,984
<b>Other financing sources (uses):</b>					
Sale/loss of assets . . . . .	5,919	-	31,194	18,341	55,454
Transfers in. . . . .	-	-	-	5,000	5,000
Transfers (out) . . . . .	(5,000)	-	-	-	(5,000)
Capital lease transaction . . . . .	485,552	-	-	-	485,552
<b>Total other financing sources (uses) . . . . .</b>	<b>486,471</b>	<b>-</b>	<b>31,194</b>	<b>23,341</b>	<b>541,006</b>
Net change in fund balances . . . . .	2,099,159	902,576	388,876	(1,910,621)	1,479,990
<b>Fund balances at beginning of year. . . . .</b>	<b>6,663,138</b>	<b>4,715,274</b>	<b>5,362,563</b>	<b>3,636,359</b>	<b>20,377,334</b>
<b>Fund balances at end of year. . . . .</b>	<b>\$ 8,762,297</b>	<b>\$ 5,617,850</b>	<b>\$ 5,751,439</b>	<b>\$ 1,725,738</b>	<b>\$ 21,857,324</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Net change in fund balances - total governmental funds** \$ 1,479,990

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense.

Capital asset additions	\$ 2,427,415	
Current year depreciation	(4,897,259)	
<b>Total</b>		<b>(2,469,844)</b>

The net effect of various miscellaneous transactions involving  
capital assets (i.e., sales, disposals, trade-ins, and donations) is to  
decrease net position. (19,932)

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues in  
the funds.

Property taxes	(731,874)	
Sales taxes	35,047	
Accrued interest	(933)	
Intergovernmental	50,643	
<b>Total</b>		<b>(647,117)</b>

Repayment of bond principal, accreted interest and capital lease principal  
are expenditures in the governmental funds, but the repayment reduces  
long-term liabilities on the statement of net position. Principal payments  
during the year were:

Bonds	2,291,764	
Accreted interest	168,236	
Lease purchase agreement	175,839	
Capital lease - COP	865,000	
<b>Total</b>		<b>3,500,839</b>

Issuance of a lease purchase agreement is recorded as other financing  
sources in the funds; however, in the statement of activities, it is  
not reported as other financing sources as it increases liabilities  
on the statement of net position. (485,552)

In the statement of activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, an interest expenditure is reported  
when due. The following items resulted in additional interest being  
reported in the statement of activities:

Decrease in accrued interest payable	9,732	
Accreted interest on capital appreciation bonds	(697,065)	
Amortization of bond premiums	314,901	
Amortization of refunding loss	(42,218)	
<b>Total</b>		<b>(414,650)</b>

Some expenses reported in the statement of activities,  
such as compensated absences, do not require the use of current  
financial resources and therefore are not reported as expenditures  
in governmental funds. (820)

**Change in net position of governmental activities** \$ 942,914

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 17,341,054	\$ 19,064,020	\$ 19,064,020	\$ -
Tuition. . . . .	905,846	995,849	995,849	-
Transportation fees. . . . .	12,606	13,859	13,859	-
Earnings on investments . . . . .	9,367	10,298	10,298	-
Extracurricular. . . . .	125,525	137,997	137,997	-
Classroom materials and fees . . . . .	163,042	179,242	179,242	-
Rental income . . . . .	48,985	53,852	53,852	-
Contributions and donations . . . . .	158,626	174,387	174,387	-
Contract services. . . . .	43,376	47,686	47,686	-
Other local revenues . . . . .	38,009	41,785	41,785	-
Intergovernmental - state . . . . .	17,671,692	19,427,511	19,427,511	-
Intergovernmental - federal . . . . .	97,234	106,895	106,895	-
Total revenues . . . . .	<u>36,615,362</u>	<u>40,253,381</u>	<u>40,253,381</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	17,740,865	18,567,001	18,567,001	-
Special. . . . .	2,543,442	2,661,882	2,661,882	-
Vocational. . . . .	1,456,019	1,523,821	1,523,821	-
Other. . . . .	1,371,079	1,434,926	1,434,926	-
Support services:				
Pupil. . . . .	3,321,657	3,476,336	3,476,336	-
Instructional staff . . . . .	321,613	336,590	336,590	-
Board of education . . . . .	212,336	222,224	222,224	-
Administration. . . . .	3,179,621	3,327,686	3,327,686	-
Fiscal . . . . .	807,536	845,140	845,140	-
Operations and maintenance. . . . .	4,137,012	4,329,660	4,329,660	-
Pupil transportation . . . . .	1,874,048	1,961,316	1,961,316	-
Central. . . . .	642,587	672,510	672,510	-
Extracurricular activities. . . . .	638,588	668,325	668,325	-
Facilities acquisition and construction . . . . .	232,410	243,233	243,233	-
Total expenditures . . . . .	<u>38,478,813</u>	<u>40,270,650</u>	<u>40,270,650</u>	<u>-</u>
Excess of expenditures over revenues. . . . .	<u>(1,863,451)</u>	<u>(17,269)</u>	<u>(17,269)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	320,394	320,394	320,394	-
Transfers (out). . . . .	(7,242)	(7,242)	(7,242)	-
Advances in. . . . .	1,438,214	1,438,214	1,438,214	-
Advances (out) . . . . .	(2,200,465)	(2,200,465)	(2,200,465)	-
Capital lease transaction . . . . .	485,552	485,552	485,552	-
Sale of capital assets . . . . .	5,994	5,994	5,994	-
Total other financing sources (uses) . . . . .	<u>42,447</u>	<u>42,447</u>	<u>42,447</u>	<u>-</u>
Net change in fund balance . . . . .	(1,821,004)	25,178	25,178	-
<b>Fund balance at beginning of year . . . . .</b>	<b>6,112,888</b>	<b>6,112,888</b>	<b>6,112,888</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,236,894</b>	<b>1,236,894</b>	<b>1,236,894</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 5,528,778</b>	<b>\$ 7,374,960</b>	<b>\$ 7,374,960</b>	<b>\$ -</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	<b>Total Business-Type Activities - Enterprise Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments . . . . .	\$ 10,497
Total assets. . . . .	<u>10,497</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	<u>3,353</u>
Total liabilities . . . . .	<u>3,353</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>7,144</u>
Total net position. . . . .	<u>\$ 7,144</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Total Business-Type Activities - Enterprise Fund</b>
<b>Operating revenues:</b>	
Charges for service . . . . .	\$ 32,680
Total operating revenues . . . . .	<u>32,680</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	40,503
Materials and supplies . . . . .	<u>2,088</u>
Total operating expenses. . . . .	<u>42,591</u>
Operating loss . . . . .	<u>(9,911)</u>
<b>Net position at beginning of year. . . . .</b>	<u>17,055</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 7,144</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Total Business-Type Activities - Enterprise Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 32,680
Cash payments for contractual services . . . . .	(37,150)
Cash payments for materials and supplies . . . . .	(2,088)
	(6,558)
Net cash used in operating activities. . . . .	(6,558)
Net decrease in cash and cash investments . . . . .	(6,558)
<b>Cash and investments at beginning of year. . . . .</b>	<b>17,055</b>
<b>Cash and investments at end of year . . . . .</b>	<b>\$ 10,497</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (9,911)
Changes in assets and liabilities:	
Increase in accounts payable . . . . .	3,353
Net cash used in operating activities . . . . .	\$ (6,558)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 169,561
Receivables:	
Accounts . . . . .	135,717
Total assets. . . . .	\$ 305,278
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 11,498
Accrued wages and benefits . . . . .	6,281
Pension obligation payable. . . . .	3,402
Intergovernmental payable . . . . .	781
Undistributed monies. . . . .	283,316
Total liabilities . . . . .	\$ 305,278

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Wadsworth City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the District's eight instructional/support facilities staffed by 259 non-certified employees and 279 certified full-time teaching personnel who provide services to 4,885 students and other community members.

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

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government) and include all of the funds of the District over which the Board of Education exercises operating control.

The District is involved in two jointly governed organizations, a related organization and two public entity risk pools which are described in Note 16, Note 17 and Note 18, respectively.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type.

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for resources that are restricted for payment of debt service principal and interest.

Classroom facilities fund - The classroom facilities fund is used to account for resources restricted in connection with contracts entered into by the District and the Ohio School Facilities Commission (OSFC) for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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

Enterprise fund - An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise fund is:

Recreation fund - This fund accounts for fees for the upkeep of the recreational center and educational opportunities offered to District residents.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund. The District's agency funds accounts for student activities and the Four Cities Educational Compact as shown in Note 16.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**C. Measurement Focus**

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise fund are program fees. Operating expenses for the enterprise fund include the cost of sales, personnel and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

**E. Cash and Investments**

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

During fiscal year 2014 the District had investments in federal agency securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, negotiable certificates of deposit and investments in U.S. Treasury money market mutual funds. See Note 4 for a full listing of the District's investments. All investments are reported at fair value which is based on quoted market prices except for nonparticipating investments contracts, such as nonnegotiable certificates of deposit, which are reported at cost.

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 shares price which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$9,735, which includes \$4,692 from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not purchased from the pool are reported as "investments".

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**F. 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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District capital asset policy is to tag all items over \$5,000 and other items controlled by management. 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.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 50 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 15 years
Textbooks	10 - 20 years
Infrastructure	5 - 50 years

**G. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements and in the proprietary fund.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**H. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

**I. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**J. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**K. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds are eliminated for reporting of governmental activities on the government-wide financial statements.

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

**L. Unamortized Bond Premium and Discount/Accounting Gain or Loss**

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources. On the governmental fund financial statements bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 13.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**M. 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 Board of Education and that are either unusual in nature or infrequent in occurrence. During the current fiscal year, the District reported neither transaction.

**N. Estimates**

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

**O. Budgetary Data**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2014.

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

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

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

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**P. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expense/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**Q. Interfund Balances**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 24
IDEA Part-B	57,166
Vocational education	18,326
Title I - disadvantaged children	17,309
IDEA preschool for handicapped	104
Improving teacher quality	9,345
Building	1,644,059

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

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash with Fiscal Agent**

At June 30, 2014, the District had \$29,913 in cash held by Medina County Schools' Educational Service Center, which is included on the balance sheet as "Cash with Fiscal Agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

**B. Cash on Hand**

At fiscal year end, the District had \$5,930 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**C. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$6,592,688. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$5,173,947 of the District's bank balance of \$6,807,534 was exposed to custodial risk as discussed below, while \$1,633,587 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Negotiable CD's	\$ 1,495,040	\$ -	\$ 747,934	\$ -	\$ 747,106
U.S. Treasury money market	11,027,799	11,027,799	-	-	-
STAR Ohio	<u>5,022,403</u>	<u>5,022,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 17,545,242</u>	<u>\$ 16,050,202</u>	<u>\$ 747,934</u>	<u>\$ -</u>	<u>\$ 747,106</u>

The weighted average maturity of investments is 0.13 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's U.S. Treasury money market mutual funds were rated AAAM by Standard & Poor's. The District's investment policy does not specifically address credit risk beyond the adherence to Chapter 135 of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial 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:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 1,495,040	8.52
U.S. Treasury money market	11,027,799	62.85
STAR Ohio	<u>5,022,403</u>	<u>28.63</u>
Total	<u>\$ 17,545,242</u>	<u>100.00</u>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,592,688
Investments	17,545,242
Cash on hand	5,930
Cash with fiscal agent	<u>29,913</u>
Total	<u>\$ 24,173,773</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,993,715
Agency funds	169,561
Business-type activities	<u>10,497</u>
Total	<u>\$ 24,173,773</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Medina County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,638,350 in the general fund and \$516,620 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,830,440 in the general fund and \$572,100 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 612,832,540	97.39	\$ 581,165,560	97.10
Public utility personal	<u>16,395,250</u>	<u>2.61</u>	<u>17,355,240</u>	<u>2.90</u>
<b>Total</b>	<b><u>\$ 629,227,790</u></b>	<b><u>100.00</u></b>	<b><u>\$ 598,520,800</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$78.50		 \$78.50	

**NOTE 6 - SHARED SALES TAX REVENUE**

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The County then allocates this tax to the school districts within the County based on the student enrollment number. During fiscal year 2014, the District recorded shared sales tax revenue of \$1,480,888 in the capital grants fund (a nonmajor governmental fund).

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, shared sales taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 22,342,573
Payment in lieu of taxes	91,812
Accounts	564,685
Accrued interest	1,205
Shared sales taxes	901,410
Intergovernmental	<u>451,968</u>
Total	<u>\$ 24,353,653</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<b>Governmental activities:</b>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,868,652	\$ -	\$ -	\$ 1,868,652
Construction in progress	<u>1,733,588</u>	<u>1,283,469</u>	<u>(2,968,657)</u>	<u>48,400</u>
Total capital assets, not being depreciated	<u>3,602,240</u>	<u>1,283,469</u>	<u>(2,968,657)</u>	<u>1,917,052</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,165,018	1,555,912	(77,170)	2,643,760
Buildings and improvements	158,890,263	2,073,545	-	160,963,808
Furniture and equipment	6,232,733	224,284	(83,890)	6,373,127
Vehicles	2,669,008	258,862	-	2,927,870
Infrastructure	131,333	-	-	131,333
Textbooks	<u>1,705,098</u>	<u>-</u>	<u>-</u>	<u>1,705,098</u>
Total capital assets, being depreciated	<u>170,793,453</u>	<u>4,112,603</u>	<u>(161,060)</u>	<u>174,744,996</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(655,720)	(139,208)	71,168	(723,760)
Buildings and improvements	(13,425,508)	(4,142,406)	-	(17,567,914)
Furniture and equipment	(2,478,626)	(449,373)	69,960	(2,858,039)
Vehicles	(2,002,318)	(163,817)	-	(2,166,135)
Infrastructure	(131,333)	-	-	(131,333)
Textbooks	<u>(1,568,852)</u>	<u>(2,455)</u>	<u>-</u>	<u>(1,571,307)</u>
Total accumulated depreciation	<u>(20,262,357)</u>	<u>(4,897,259)</u>	<u>141,128</u>	<u>(25,018,488)</u>
Governmental activities capital assets, net	<u>\$ 154,133,336</u>	<u>\$ 498,813</u>	<u>\$ (2,988,589)</u>	<u>\$ 151,643,560</u>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,369,387
Special	449,185
Vocational	140,762
Other	98
<u>Support services:</u>	
Pupil	407,255
Instructional staff	15,528
Board of Education	2,534
Administration	429,702
Fiscal	48,390
Operations and maintenance	318,105
Pupil transportation	156,143
Central	107,637
<u>Operation of non-instructional services:</u>	
Other non-instructional services	26,873
Food service operations	156,007
Extracurricular activities	269,653
Total depreciation expense	<u>\$ 4,897,259</u>

**NOTE 9 - RISK MANAGEMENT**

**A. Liability Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$10,000 per incident and a policy limit of \$229,864,479. The District's vehicle liability insurance policy limit is \$1,000,000 with a \$2,000 collision deductible. All administrators and employees are covered under a District liability policy and an umbrella policy. The combined limits of these coverages are \$11,000,000 per occurrence and \$12,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

**B. Fidelity Bonds**

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

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2014, the District participated in the Ohio Bureau of Workers' Compensation (OBWC) state fund. The workers' compensation rate for the District is based on claims incurred in the oldest four of the last five years prior to the calendar year. The District pays its workers' compensation premium to the State based on the OBWC rate for the District multiplied by the payroll for the calendar year. The firm of Benefits 1 Group, Inc. provides administrative, cost control and actuarial services to the District.

**D. Employee Health Benefits**

In July 2010, the District joined the Summit Regional Health Care Consortium (SRHCC) Health Benefits Program, a public entity risk pool, to provide employee hospitalization, dental, prescription drug, life, and disability benefits (See Note 18 for detail). Premium rates are set or determined by the Board of Directors of the SRHCC. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each member of the SRHCC may require contributions from its employees toward the cost of any benefit program being offered by the District and such contributions shall be included in the payments from the District to the fiscal agent of the SRHCC. The District pays a monthly premium to the SRHCC. Because the District is a member of the SRHCC and the SRHCC holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

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

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$706,080, \$694,677 and \$653,799, respectively; 74.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,457,990, \$2,488,615 and \$2,535,813, respectively; 83.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$132,103 made by the District and \$103,795 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$99,540, \$84,632 and \$135,533, respectively; 74.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$40,963, \$39,241 and \$38,610, respectively; 74.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$189,076, \$191,432 and \$195,063, respectively; 83.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - LONG-TERM OBLIGATIONS**

During fiscal year 2014, the following changes occurred in governmental activities long-term obligations.

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<b>Series BQ Bonds - 2009</b>					
Serial Bonds - 2.00-5.00%, 6/09 - 12/37	\$ 8,970,000	\$ -	\$ (255,000)	\$ 8,715,000	\$ 265,000
Capital Appreciation bonds - 25.929%, 12/16 - 12/18	109,995	-	-	109,995	-
Accretion on Capital Appreciation bonds	176,009	78,963	-	254,972	-
Premium	324,197	-	(12,968)	311,229	-
<b>School Improvement Refunding Bonds - 2007</b>					
Serial Bonds - 4%, 6/06 - 12/22	7,195,000	-	(780,000)	6,415,000	810,000
Capital Appreciation bonds - 10.439%, 12/15 - 12/16	659,993	-	-	659,993	-
Accretion on Capital Appreciation bonds	592,592	133,392	-	725,984	-
Premium	335,151	-	(33,515)	301,636	-
<b>School Improvement Refunding Bonds - 2006</b>					
Serial Bonds - 4-4.2%, 6/06 - 12/22	8,000,000	-	(230,000)	7,770,000	-
Capital Appreciation bonds - 12.1 -12.2%, 12/14 - 12/15	614,990	-	-	614,990	322,822
Accretion on Capital Appreciation bonds	792,347	176,680	-	969,027	511,204
Premium	317,753	-	(31,775)	285,978	-
<b>School Improvement Refunding Bonds - 1999</b>					
Serial Bonds - 3.30-5.00%, 4/99 - 12/22	595,000	-	-	595,000	-
<b>Library Improvement Bonds - 2001 (see Note 16)</b>					
Term Bonds - 5.05-5.10%, 12/12 - 12/22	2,750,000	-	-	2,750,000	-
Capital Appreciation bonds - 7.296%, 12/12 - 12/14	227,360	-	(116,764)	110,596	110,596
Accretion on Capital Appreciation bonds	308,190	29,279	(168,236)	169,233	169,233
<b>Energy Conservation Imp. Bonds - 2001</b>					
5.25%, 12/01 - 12/14	200,000	-	(100,000)	100,000	100,000

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<b>Taxable Build America Bonds - 2009</b>					
Serial Bonds - 1.75-5.01%, 9/09 - 12/19	\$ 4,005,000	\$ -	\$ (510,000)	\$ 3,495,000	\$ 525,000
Term Bonds - 5.41-7.00%, 12/21 - 12/37	21,540,000	-	-	21,540,000	-
Premium	502,268	-	(20,501)	481,767	-
<b>School Improvement Bonds - 2010A</b>					
Serial Bonds - 2%, 12/11 - 12/15	1,385,000	-	(300,000)	1,085,000	500,000
Capital Appreciation bonds - 22.072%, 12/16 - 12/20	679,951	-	-	679,951	-
Accretion on Capital Appreciation bonds	483,361	278,751	-	762,112	-
Premium	1,621,066	-	(216,142)	1,404,924	-
<b>Taxable Build America Bonds - 2010B</b>					
Serial Bonds - 4.31-4.71%, 12/21 - 12/23	3,065,000	-	-	3,065,000	-
Term Bonds - 5.06-6.21%, 12/25 - 12/37	22,885,000	-	-	22,885,000	-
<b>Total General Obligation Bonds</b>	<b>88,335,223</b>	<b>697,065</b>	<b>(2,774,901)</b>	<b>86,257,387</b>	<b>3,313,855</b>
Capital Lease - Certificate of Participation	12,765,000	-	(865,000)	11,900,000	880,000
Lease Purchase Agreement	-	485,552	(175,839)	309,713	152,571
Compensated Absences					
Severance	4,657,212	327,585	(414,267)	4,570,530	207,456
Vacation	168,566	143,740	(168,566)	143,740	143,740
Total compensated absences	4,825,778	471,325	(582,833)	4,714,270	351,196
Total governmental activities long-term liabilities	<u>\$ 105,926,001</u>	<u>\$ 1,653,942</u>	<u>\$ (4,398,573)</u>	<u>\$ 103,181,370</u>	<u>\$ 4,697,622</u>

**Capital Lease - Certificate of Participation**

See Note 14 for detail on the District's capital lease.

**Compensated absences**

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**Series 2010A School Improvement General Obligation Bonds**

On September 15, 2010, the District issued \$3,099,951 of Series 2010A school improvement bonds to finance the local share of the District's Ohio School's Facility Commission's building project. This issue is comprised of both current interest serial bonds, par value \$2,420,000, and capital appreciation bonds, par value \$679,951. These bonds are not subject to early redemption. The final stated maturity on the Series 2010A school improvement bonds is December 1, 2020. These bonds will be retired from the debt service fund.

The general obligation bonds were issued with a premium of \$2,224,463. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2014 was \$216,142. Bond issuance costs associated with the issuance of these bonds totaled \$384,596.

The capital appreciation bonds mature December 1, 2016, 2017, 2018, 2019, and 2020. These bonds were sold at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bonds is \$3,745,000.

**Series 2010B Build America Bonds (BABs)**

On September 15, 2010, the District issued \$25,950,000 of Series 2010B BABs to finance the local share of the District's Ohio School's Facility Commission's building project. This issue is comprised of both current interest serial bonds, par value \$3,065,000, and term bonds, par value \$22,885,000. These bonds are subject to early redemption as described below. The final stated maturity on the Series 2010B BABs is December 1, 2037. These bonds will be retired from the debt service fund. The District received a direct payment subsidy from the United States Treasury during December and June of the current fiscal year. The December subsidy was equal to 35 percent of the corresponding interest payments due on the BABs and the June subsidy was equal to 7.2 percent. The District records this subsidy from the federal government in the debt service fund.

The BABs are subject to optional redemption, extraordinary optional redemption and mandatory sinking fund redemption as follows:

Optional Redemption - the BABs maturing on or after December 1, 2020 are subject to prior redemption by and at the sole option of the District, either in whole or in part, on any date on or after December 1, 2019, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption - the BABs are also subject to redemption prior to maturity by and at the sole option of the District, either in whole or in part on any date at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, in the event that the BAB Direct Payments cease or are reduced.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Mandatory Sinking Fund Redemption - the BAB term bonds mature on December 1, 2025, December 1, 2030, December 1, 2033 and December 1, 2037 in the amounts of \$2,355,000, \$7,430,000, \$5,180,000 and \$7,920,000, respectively. The BAB term bonds are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Redemption</u>
2024	\$ 1,150,000
2025	1,205,000
2026	1,360,000
2027	1,435,000
2028	1,490,000
2029	1,545,000
2030	1,600,000
2031	1,660,000
2032	1,725,000
2033	1,795,000
2034	1,865,000
2035	1,940,000
2036	2,015,000
2037	<u>2,100,000</u>
Total	<u>\$ 22,885,000</u>

**Series 2009 Build America Bonds (BABs)**

On September 9, 2009, the District issued \$27,000,000 in BABs with an average interest rate of 6.345% and a maturity of 28 years. This issue is comprised of both current interest serial bonds, par value \$5,460,000, and term bonds, par value \$21,540,000. These bonds are subject to early redemption as described below. The final stated maturity on the 2009 BABs is December 1, 2037. These bonds will be retired from the debt service fund. The District received a direct payment subsidy from the United States Treasury during December and June of the current fiscal year. The December subsidy was equal to 35 percent of the corresponding interest payments due on the BABs and the June subsidy was equal to 7.2 percent. The District records this subsidy from the federal government in the debt service fund.

The general obligation bonds were issued with a premium of \$574,021. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2014 was \$20,501.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

The BABs are subject to optional redemption, extraordinary optional redemption and mandatory sinking fund redemption as follows:

Optional Redemption - the BABs maturing on or after December 1, 2018 are subject to prior redemption by and at the sole option of the District, either in whole or in part, on any date on or after December 1, 2017, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption - the BABs are also subject to redemption prior to maturity by and at the sole option of the District, either in whole or in part on any date at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, in the event that the BAB Direct Payments cease or are reduced.

Mandatory Sinking Fund Redemption - the BAB term bonds mature on December 1, 2021, December 1, 2023, December 1, 2029 and December 1, 2037 in the amounts of \$1,395,000, \$1,555,000, \$5,960,000 and \$12,630,000, respectively. The BAB term bonds are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Redemption</u>
2020	\$ 680,000
2021	715,000
2022	755,000
2023	800,000
2024	840,000
2025	895,000
2026	955,000
2027	1,025,000
2028	1,085,000
2029	1,160,000
2030	1,235,000
2031	1,320,000
2032	1,415,000
2033	1,515,000
2034	1,620,000
2035	1,700,000
2036	1,855,000
2037	<u>1,970,000</u>
Total	<u>\$ 21,540,000</u>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**Series 2009 BQ Bonds**

On June 29, 2009, the District issued \$9,599,995 Series 2009A general obligation bonds. The proceeds of the bonds were used to construct, remodel and improve District buildings and facilities. The bonds were issued for a 29 year period with final maturity at December 1, 2037. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. These bonds will be retired from the debt service fund.

The general obligation bonds were issued with a premium of \$389,037, which was reported as an increase to bonds payable in fiscal year 2009. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2014 was \$12,968.

The capital appreciation bonds mature December 1, 2016, 2017, and 2018. These bonds were sold at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bonds is \$840,000.

**Series 2007 School Improvement Refunding General Obligation Bonds**

On February 6, 2007, the District issued \$9,169,993 refunded general obligation bonds. The proceeds of the bonds were used to advance refund \$9,170,000 of the District's outstanding Series 1998 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. These bonds will be retired from the debt service fund.

At the date of the refunding, \$9,525,029 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2011, \$8,605,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$536,241, which was reported as an increase to bonds payable in fiscal year 2007. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method; the amortization for June 30, 2014 was \$33,515. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$355,029. This difference reported in the accompanying financial statements as a difference to bonds payable is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2014 was \$22,189. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$594,174. The issuance resulted in an economic gain of \$444,217. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates method.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

The capital appreciation bonds mature December 1, 2015 and 2016. These bonds were sold at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bonds is \$1,695,000.

**Series 2006 School Improvement Refunding General Obligation Bonds**

On June 1, 2006, the District issued \$9,309,990 refunded general obligation bonds. The proceeds of the bonds were used to refund \$7,960,000 of the District's outstanding 1998 and 1999 School Improvement bonds, and \$1,350,000 of the outstanding 2000 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. These bonds will be retired from the debt service fund.

At the date of the refunding, \$9,650,496 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2014, \$8,405,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$540,179, which is reported as an increase to bonds payable. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method. The amortization for June 30, 2014 was \$31,775. Bond issuance costs associated with the issuance of these bonds totaled \$198,028. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$340,496. This difference reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2014 was \$20,029. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$418,484. The issuance resulted in an economic gain of \$306,718. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

The capital appreciation bonds mature December 1, 2014 and 2015. These bonds were sold at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bonds is \$1,780,000.

**Series 2001 Energy Conservation Improvement Bonds**

During fiscal year 2001, the District issued \$1,400,000 in energy conservation improvement bonds to provide for energy improvements to various District buildings. Principal and interest payments on the bonds are made from the debt service fund. The source of repayment is from energy savings associated with the improvements. The energy improvement bonds mature December 1, 2014.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**Series 2001 Library Improvement Bonds**

On June 18, 2001, the District issued \$5,600,000 in general obligation library improvement bonds to finance improvements for the Ella M. Everhard Public Library (the "Library") Project. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022. These bonds will be retired from the debt service fund.

The issue is comprised of both current interest serial bonds, par value \$2,495,000, current interest term bonds, par value \$2,750,000, and capital appreciation bonds par value \$355,000. During fiscal year 2013, one of the capital appreciation bonds matured on December 1, 2012 at a maturity value of \$290,000. During fiscal year 2014, one of the capital appreciation bonds matured on December 1, 2013 at a maturity value of \$285,000. At June 30, 2014, the remaining capital appreciation bonds mature on December 1, 2014 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2014 is \$290,000. Total accreted interest of \$169,233 has been included in the statement of net position at June 30, 2014.

See Note 17 for more information on the Library and its relationship to the District.

**Series 2000 School Improvement Bonds**

On April 18, 2000, the District issued \$2,249,999 in general obligation school improvement bonds to finance various construction and renovation projects at the District. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for the issue was December 1, 2022. These bonds were retired from the debt service fund.

The issue was comprised of both current interest serial bonds, par value \$2,155,000, and capital appreciation bonds par value \$94,999. The serial bonds were refunded by the Series 2006 general obligation school improvement refunding bonds.

**Series 1999 School Improvement Bonds**

On May 12, 1999, the District issued \$12,999,997 in general obligation school improvement bonds to finance various construction and renovation projects at the District. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for the issue is December 1, 2018. These bonds will be retired from the debt service fund.

**Series 1998 School Improvement Bonds**

On April 22, 1998, the District issued \$14,749,986 in general obligation school improvement bonds to finance various construction and renovation projects at the District. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for the issue was December 1, 2022. These bonds will be retired from the debt service fund.

The issue was comprised of both current interest serial bonds, par value \$3,555,000, current interest term bonds, par value \$10,915,000, and capital appreciation bonds, par value \$279,986. A portion of the serial bonds and all the term bonds were refunded by the Series 2006 general obligation school improvement refunding bonds and the Series 2007 general obligation school improvement refunding bonds.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**Future Debt Service Requirements**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 2,200,000	\$ 4,193,832	\$ 6,393,832	\$ 433,418	\$ 741,582	\$ 1,175,000
2016	1,695,000	4,127,452	5,822,452	637,967	1,102,033	1,740,000
2017	1,790,000	4,060,078	5,850,078	526,819	1,213,181	1,740,000
2018	2,735,000	3,963,391	6,698,391	197,805	812,195	1,010,000
2019	3,475,000	3,843,368	7,318,368	163,051	866,949	1,030,000
2020 - 2024	18,395,000	16,829,513	35,224,513	216,465	1,438,535	1,655,000
2025 - 2029	13,335,000	12,958,062	26,293,062	-	-	-
2030 - 2034	17,360,000	8,357,837	25,717,837	-	-	-
2035 - 2038	17,430,000	2,293,981	19,723,981	-	-	-
Total	<u>\$ 78,415,000</u>	<u>\$ 60,627,514</u>	<u>\$ 139,042,514</u>	<u>\$ 2,175,525</u>	<u>\$ 6,174,475</u>	<u>\$ 8,350,000</u>

**NOTE 14 - CAPITALIZED LEASE**

- A. During fiscal year 2010, the District entered into a lease-purchase agreement for the construction, furnishing and equipping two new elementary school buildings. The District is leasing the project site from Ohio School Building Leasing Corporation. Ohio School Building Leasing Corporation assigned Huntington National Bank as trustee, transferring rights, title and interest in the project to the trustee. The District is acting as an agent for the lessor, and is renovating the facilities from the proceeds provided by the lessor. As part of the agreement, Huntington National Bank deposited \$15,000,000 with a fiscal agent for the renovation project. Huntington National Bank has sold Certificates of Participation in the building lease. The District will make annual lease payments to Huntington National Bank. The interest rate is 2.10%. The lease is renewable annually and expires in 2026. The intention of the District is to renew the lease annually.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 14 - CAPITALIZED LEASE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 1,120,660
2016	1,121,970
2017	1,122,860
2018	1,123,330
2019	1,123,380
2020 - 2024	5,607,897
2025 - 2026	<u>2,241,358</u>
Total minimum lease payment	13,461,455
Less: amount representing interest	<u>(1,561,455)</u>
Present value of minimum lease payments	<u>\$ 11,900,000</u>

- B.** During the current fiscal year, the District entered into a lease-purchase agreement for technology equipment and upgrades. The District is leasing the equipment from Key Government Finance, Inc. The District will make annual lease payments to Key Government Finance, Inc. The payments are all made from the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 161,850
2016	<u>161,850</u>
Total minimum lease payment	323,700
Less: amount representing interest	<u>(13,987)</u>
Present value of minimum lease payments	<u>\$ 309,713</u>

**NOTE 15 - INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 2,200,465</u>

The purpose of the other interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 15 - INTERFUND TRANSACTIONS - (Continued)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported in the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ <u>5,000</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*Midland Council of Governments*

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

Representation on the Midland Council of Governments consists of one member appointed by each member board of education. The representative shall be the superintendent, assistant superintendent or treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who is elected for two year terms except the position of fiscal agent superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two superintendents, two treasurers, two members-at-large and the fiscal agent superintendent. During the year ended June 30, 2014, the District paid approximately \$421,008 to Midland Council of Governments for basic service charges.

*Four Cities Educational Compact*

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

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 17 - RELATED ORGANIZATIONS**

The Ella M. Everhard Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the tax authority for the Library. Once the Library determines to present a levy to the voters, including the determination to the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2014. In 2000 the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$5,599,995. The electors of the District approved the levy. See Note 13 for additional disclosures regarding the bond issue.

**NOTE 18 - PUBLIC ENTITY RISK POOL**

***Summit Regional Health Care Consortium***

In July 2010, the District joined together with Barberton City School District, Copley-Fairlawn City School District, Norton City School District, and Revere Local School District to establish a regional council of governments, organized under Chapter 167 of the Ohio Revised Code, known as the Summit Regional Health Care Consortium (SRHCC) for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. The members of the SRHCC have undertaken a Health Benefits Program on a cooperative basis for the provision of certain medical, hospitalization, dental, prescription drug, vision, life, and disability income benefits for their employees and the eligible dependents of those employees, and any other health care benefits which the members may determine. As part of this agreement, each member is required to share in the program costs by making monthly payments to cover the program costs. The Treasurer of the fiscal agent (Copley-Fairlawn City School District) serves as the Treasurer of the SHRCC and is responsible for coordinating and administering the Health Benefits Program.

The Health Benefits Program is governed by the Board of Directors of the SHRCC (Board), which consists of one designee by each member school district (with at least one Superintendent designee), and the representative of the fiscal agent or designee. The fiscal agent Treasurer and program consultant shall serve as non-voting members. The SRHCC representatives and the fiscal agent treasurer's representative shall serve a two-year term of office. The officers consist of a Chairperson and Vice-Chairperson who are elected for one year terms by the Board. The fiscal agent Treasurer shall be a permanent member of the Board and shall serve as the Recording Secretary.

In the event of withdrawal, members are entitled to recover its contributions to the SRHCC, if any, along with the proportionate share of interest earned on these contributions which are not encumbered for payment of its share of program costs. Claims submitted by covered persons of a withdrawing member after the recovery of funds will be exclusively the liability of the withdrawing member. Financial information for the SRHCC can be obtained from John Wheadon, Treasurer of the Copley-Fairlawn City School District at 3797 Ridgewood Road, Copley, Ohio 44321-1665.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 18 - PUBLIC ENTITY RISK POOL - (Continued)**

*Ohio Bureau of Workers' Compensation*

The District participates in the Ohio Bureau of Workers' Compensation (OBWC) state fund. The workers' compensation rate for the District is based on claims incurred in the oldest four of the last five years prior to the calendar year. The District pays its workers' compensation premium to the State based on the OBWC rate for the District multiplied by the payroll for the calendar year. The firm of Benefits 1 Group, Inc. provides administrative, cost control and actuarial services to the District

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ 25,178
Net adjustment for revenue accruals	334,544
Net adjustment for expenditure accruals	262,608
Net adjustment for other sources/uses	444,024
Funds budgeted elsewhere	(22,436)
Adjustment for encumbrances	<u>1,055,241</u>
GAAP basis	<u>\$ 2,099,159</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the uniform school supplies fund, the rotary fund, the adult education fund and the insurance fund.

**NOTE 21 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 21 - SET-ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	798,218
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(559,952)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(238,266)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**NOTE 22 - CONTRACTUAL COMMITMENTS**

As of June 30, 2014, the District had the following contractual commitments outstanding related to a stadium project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2014</u>	<u>Remaining Contract Amount</u>
Environmental Controls Electrical Specialists, Inc.	\$ 124,519	\$ -	\$ 124,519
The Ruhlin Company	121,000	-	121,000
Plug Smart	<u>302,843</u>	<u>-</u>	<u>302,843</u>
Total	<u>\$ 548,362</u>	<u>\$ -</u>	<u>\$ 548,362</u>

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 23 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 967,986
Classroom facilities fund	672,788
Other governmental	<u>1,130,525</u>
 Total	 <u>\$ 2,771,299</u>

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**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster</u>			
Special Education - Grants to States	84.027	\$93,457	\$110,777
		<u>669,710</u>	<u>628,933</u>
Total Special Education -Grants to States		763,167	739,710
Special Education - Preschool Grants	84.173	13,820	13,820
Total Special Education Cluster		<u>776,987</u>	<u>753,530</u>
Title I Grants to Local Educational Agencies	84.010	26,511	43,125
		<u>297,378</u>	<u>272,107</u>
Total Title I Grants to Local Educational Agencies		323,889	315,232
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	16,843	16,843
Improving Teacher Quality State Grants	84.367	9,320	12,121
		<u>113,441</u>	<u>102,699</u>
Total Improving Teacher Quality State Grants		122,761	114,820
Career and Technical Education - Basic Grants to States	84.048	31,001	31,808
		<u>173,003</u>	<u>163,030</u>
Total Career and Technical Education - Basic Grants to States		204,004	194,838
Total U.S. Department of Education		<b>1,444,484</b>	<b>1,395,263</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	461,993	461,993
Non-Cash Assistance		82,187	82,187
School Breakfast Program	10.553	79,741	79,741
Total Child Nutrition Cluster		<u>623,921</u>	<u>623,921</u>
Total U.S. Department of Agriculture		<b>623,921</b>	<b>623,921</b>
<b>Totals</b>		<b><u>\$2,068,405</u></b>	<b><u>\$2,019,184</u></b>

*The accompanying notes are an integral part of this schedule.*

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wadsworth City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Wadsworth City School District  
Medina County  
524 Broad Street  
Wadsworth, Ohio 44281

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wadsworth City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2015.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 20, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Wadsworth City School District  
Medina County  
524 Broad Street  
Wadsworth, Ohio 44281

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Wadsworth City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Wadsworth City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Wadsworth City School District, Medina County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 20, 2015

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<ul style="list-style-type: none"> <li>➤ Title I Grants to Local Educational Agencies, CFDA 84.010;</li> <li>➤ Child Nutrition Cluster, CFDA 10.555 and 10.553.</li> </ul>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None

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# Dave Yost • Auditor of State

**WADSWORTH CITY SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 10, 2015**