

**CITY OF WADSWORTH, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the City of Wadsworth, Medina County, prepared by James G. Zupka, CPA, Inc. for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 20, 2008

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**CITY OF WADSWORTH, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To Members of City Council  
City of Wadsworth, Ohio

The Honorable Mary Taylor  
Auditor of State  
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wadsworth, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of December 31, 2006, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Income Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2008, on our consideration of the City of Wadsworth, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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



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

February 22, 2008



**City of Wadsworth, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

The discussion and analysis of the City of Wadsworth financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

The City's key financial highlights for 2006 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2006, by \$90.0 million (net assets). Unrestricted net assets in the amount of \$13.5 million are available to meet the City's ongoing obligations to citizens and creditors. The City's net assets related to governmental activities amounted to \$46.9 million, while net assets related to business-type activities amounted to \$43.1 million.
- Total net assets for the year increased by \$6.2 million or slightly less than 7.4%. Net assets for business-type activities increased 8.2% while those related to governmental activities increased 6.6%.
- The City's total revenues amounted to \$54.1 million in 2006, of which \$16.7 million related to governmental activities and \$37.4 million to business-type activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$41.4 million or 76.5% of total revenues.
- The City had \$48.0 million in expenses in 2006, \$13.8 million of which were for governmental activities and \$34.2 million for business-type activities.
- Among major funds, the General Fund had \$3.9 million in revenues (excluding transfers-in) and \$6.8 million in expenditures in 2006.
- The General Fund's balance increased to \$4.0 million, an increase of \$453,967 from the beginning 2006 balance due to a transfer in of \$3.4 million from the Income Tax Fund. The General Fund balance was 102.7% of total General Fund revenues.
- During 2006, the City's total long-term obligations increased from \$21.5 million to \$30.2 million. This increase of \$8.7 million was mostly due to additional OWDA loan draws for improvements to the waste water treatment plant.

### **Using this Annual Financial Report**

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

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

### **Reporting the City of Wadsworth as a Whole**

#### ***Statement of Net Assets and Statement of Activities***

These government-wide statements answer the question, "How did the City as a whole do financially during 2006"? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

- *The Statement of Net Assets.* This Statement (page 11) reports all assets and liabilities of the City as of December 31, 2006. The difference between total assets and total liabilities is reported as net assets. Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This Statement (page 12) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2006. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

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

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

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

### **Reporting the City of Wadsworth's Most Significant Funds**

#### ***Fund Financial Statements***

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

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

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

The City of Wadsworth's Sewer Fund, Water Fund and Electric Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 19 through 21.

**Internal Service Funds** - Often, governments wish to allocate the cost of providing certain centralized services (e.g., garages, health insurance, etc.) to the other departments of the government entity that use the services. An Internal Service Fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

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

- **Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

A Fiduciary Fund statement is on page 22 of this report.

**Other Information**

***Notes to the Basic Financial Statements:***

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. Notes to the Basic Financial Statements can be found on pages 23 through 55 of this report.

**The City of Wadsworth as a Whole**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wadsworth, assets exceed liabilities by \$46,940,438 governmental activities and \$43,053,689 in business-type activities as of December 31, 2006. The largest portion of the City's net assets reflects its investment in capital assets (i.e.; land, buildings, land improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Since the capital assets themselves are needed to provide services, they cannot be sold to pay liabilities. Net assets are presented in the following table:

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and Other Assets	\$20,693,391	\$18,219,340	\$15,223,255	\$14,654,396	\$35,916,646	\$32,873,736
Capital Assets, Net	33,546,753	33,529,895	56,854,155	46,505,187	90,400,908	80,035,082
Total Assets	54,240,144	51,749,235	72,077,410	61,159,583	126,317,554	112,908,818
<b>Liabilities</b>						
Current and Other Liabilities	3,674,864	3,917,669	2,425,505	3,679,626	6,100,369	7,597,295
Long-Term Liabilities, Due Within One Year	724,454	717,755	724,485	712,696	1,448,939	1,430,451
Long-Term Liabilities, Due in More Than One Year	2,900,388	3,079,983	25,873,731	16,969,707	28,774,119	20,049,690
Total Liabilities	7,299,706	7,715,407	29,023,721	21,362,029	36,323,427	29,077,436
<b>Net Assets</b>						
Invested in Capital Assets, Net of Debt	32,486,753	31,917,470	32,024,597	30,590,774	64,511,350	62,508,244
Restricted	11,944,464	10,482,259	0	0	11,944,464	10,482,259
Unrestricted	2,509,221	1,634,099	11,029,092	9,206,780	13,538,313	10,840,879
Total Net Assets	\$46,940,438	\$44,033,828	\$43,053,689	\$39,797,554	\$89,994,127	\$83,831,382

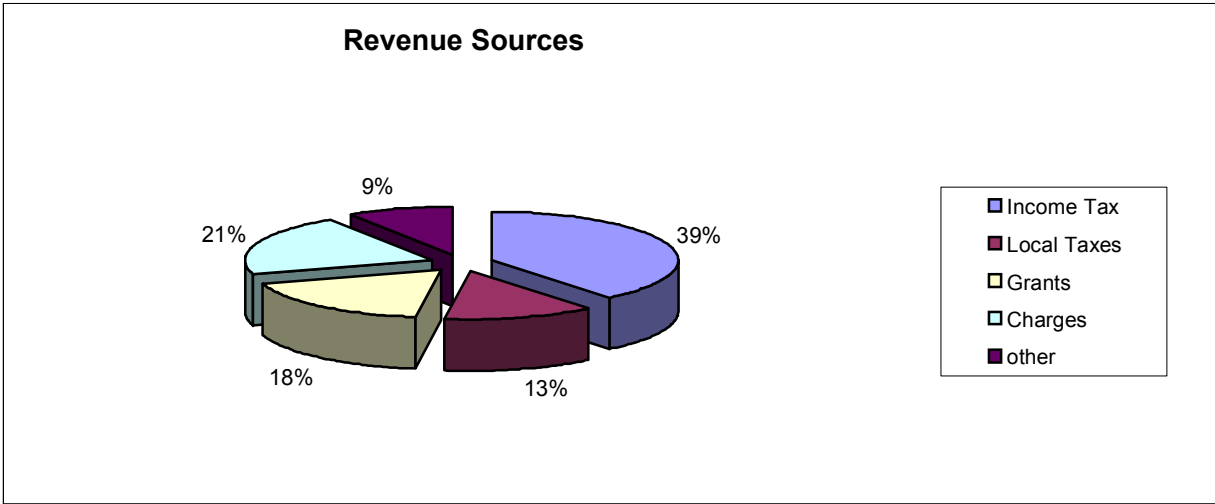
During 2006, the City's overall financial position increased by \$6,162,745 as Governmental Activities Net Assets increased by \$2,906,610 and those for Business-Type Activities increased by \$3,256,135.

Table 2 below, indicates the changes in net assets for the year ended December 31, 2006, for both the Governmental and Business-Type Activities.

	Governmental Activities 2006	Governmental Activities 2005	Business-Type Activities 2006	Business-Type Activities 2005	Total 2006	Total 2005
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$3,446,990	\$3,019,572	\$36,190,822	\$35,264,205	\$39,637,812	\$38,283,777
Operating Grants and Contributions	397,210	325,750	0	0	397,210	325,750
Capital Grants and Contributions	356,932	523,824	1,024,682	50,000	1,381,614	573,824
General Revenues:						
Taxes	8,723,085	8,496,631	0	0	8,723,085	8,496,631
Grants and Entitlements Not Restricted to Specific Programs	3,028,791	3,430,318	0	0	3,028,791	3,430,318
Investment Income	750,706	340,280	191,679	283,203	942,385	623,483
Other Income	20,024	55,164	1,936	0	21,960	55,164
<b>Total Revenues</b>	<b>16,723,738</b>	<b>16,191,539</b>	<b>37,409,119</b>	<b>35,597,408</b>	<b>54,132,857</b>	<b>51,788,947</b>
<b>Expenses</b>						
Program Expenses:						
General Government	3,585,390	3,821,979	0	0	3,585,390	3,821,979
Security of Persons and Property	5,022,596	6,268,485	0	0	5,022,596	6,268,485
Public Health	105,621	72,506	0	0	105,621	72,506
Leisure Time Services	1,818,429	2,127,021	0	0	1,818,429	2,127,021
Community and Economic Development	455,994	782,803	0	0	455,994	782,803
Public Works	191,103	48,500	0	0	191,103	48,500
Transportation	2,528,287	2,349,728	0	0	2,528,287	2,349,728
Intergovernmental	5,960	156,610	0	0	5,960	156,610
Interest and Fiscal Charges	103,748	147,354	0	0	103,748	147,354
Electric	0	0	26,038,534	27,355,279	26,038,534	27,355,279
Sanitation	0	0	1,608,357	1,838,563	1,608,357	1,838,563
Sewer	0	0	2,501,651	2,239,016	2,501,651	2,239,016
Telecom	0	0	1,220,462	1,733,253	1,220,462	1,733,253
Water	0	0	2,783,980	2,542,362	2,783,980	2,542,362
<b>Total Expenses</b>	<b>13,817,128</b>	<b>15,774,986</b>	<b>34,152,984</b>	<b>35,708,473</b>	<b>47,970,112</b>	<b>51,483,459</b>
Increase (Decrease) in Net Assets						
Before Transfers	2,906,610	416,553	3,256,135	(111,065)	6,162,745	305,488
Transfers	0	(39,705)	0	39,705	0	0
Increase (Decrease) in Net Assets						
After Transfers	2,906,610	376,848	3,256,135	(71,360)	6,162,745	305,488
Net Assets - Beginning, Restated	44,033,828	43,656,980	39,797,554	39,868,914	83,831,382	83,525,894
<b>Net Assets - Ending</b>	<b>\$46,940,438</b>	<b>\$44,033,828</b>	<b>\$43,053,689</b>	<b>\$39,797,554</b>	<b>\$89,994,127</b>	<b>\$83,831,382</b>

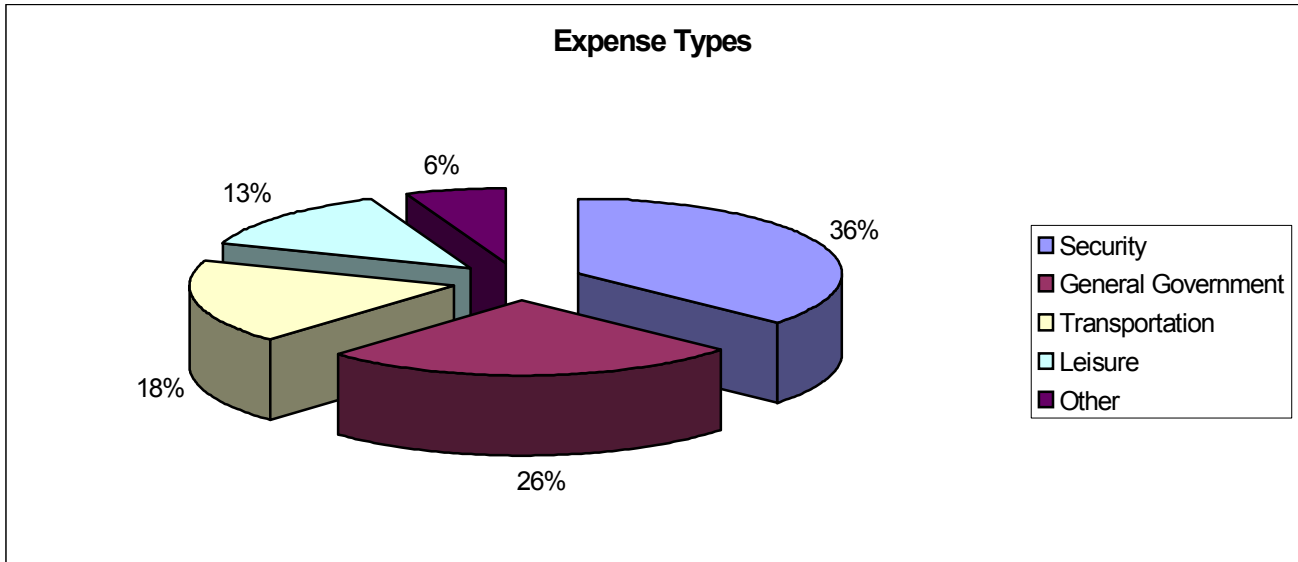
**Governmental Activities**

The City income tax is the largest contributor of revenue sources in government activities accounting for 39.12% of total revenues. Property and other local taxes generate 13.04% and grants and entitlements generate 18.11% of total revenues.



The City’s direct charges to users of governmental services represent 20.61% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.

Security of Persons and Property account for 36.35% of governmental expenses, general government accounts for 25.95% of governmental expenses while transportation costs and leisure time activities represent 18.30% and 13.16% of governmental expenses respectively.



**Business-Type Activities**

The City’s business-type activities are the electric, sanitation, sewer, water, and telecom services. The City provides curbside trash pick-up as well as yard waste pick-up. Income to provide services is derived from user fees set by Council.

Charges for services generated 96.74% of all revenues in the business-type activities.

## Individual Funds Summary and Analysis

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

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

As of the end of the current fiscal year, the City’s Governmental Funds reported combined ending fund balances of \$14,250,481, a 16.24% increase of \$1,991,418 in comparison with the prior year. Approximately 67.15% of this total amount of \$14,250,481 is available for spending at the government’s discretion. The remainder of fund balance, if any, is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

**The General Fund** is the primary operating fund of the City of Wadsworth. At the end of the current year, the General Funds’ unreserved balance was \$2,424,464, while the total fund balance was \$3,995,587. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35.45% of total General Fund expenditures, while total fund balance represents 58.43% of that same amount. The General Fund balance increased by \$453,967 or 12.82% over the prior year.

**The Income Tax Fund** receives all income tax revenue, expenses the dollars necessary to administer the income tax activities and then distributes dollars as needed for operation of the General Fund, Recreation Fund, Street Fund and Capital Improvement. In addition, \$9,104 was paid to the schools for various tax sharing agreements. The needs of these funds were less than revenues in Income Tax by \$870,845.

**Proprietary Funds** – The City’s Proprietary Funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. Net Assets in the Sewer, Water, Electric and Other Enterprise Funds increased \$2,100,466, (24.99%), \$166,722 (1.43%), \$48,138 (.26%) and \$833,292 (74.73%), respectively.

## Budgetary Highlights

As required by State statute, City Council adopts an annual budget.

There was no significant change from the original budget to the final budget. Actual General Fund Property Tax and Other Local Tax Collections were approximately \$165,277 under the budget.

Actual General Fund expenditures compared to the budget included approximately \$595,000 remaining in encumbered funds as of December 31, 2006. Security of Persons and Property, which is largely the Police and Fire Department activity, accounted for \$278,775 of those encumbered funds and General Government accounted for \$206,082.

Actual revenue collected in the City’s Income Tax Fund was \$68,165 more than the budgeted amount, while expenses were only \$37,135 under budget. As a result the management cut expenses in the funds supported by Income Tax.

## Capital Assets and Debt Administration

**Capital Assets**-The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$90,400,908 (net of accumulated depreciation). This investment in capital assets includes Land; Construction in Progress; Infrastructure Work in Progress; Buildings; Land Improvements; Vehicles; Equipment; and Infrastructure. The total increase in the City’s investment in capital assets for the current year was 12.95% (.05% increase for governmental activity and a 22.25% increase for business-type activity) (See Note 12).

Table 3  
Capital Assets  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Land	\$4,211,334	\$4,010,962	\$532,217	\$492,686	\$4,743,551	\$4,503,648
Construction in Progress	9,260	0	15,317,185	5,943,580	15,326,445	5,943,580
Infrastructure Work In Progress	0	0	1,009,374	1,652,583	1,009,374	1,652,583
Land Improvements	845,287	880,064	5,443	5,806	850,730	885,870
Buildings	4,702,921	4,881,439	3,256,938	3,115,569	7,959,859	7,997,008
Vehicles	1,614,870	1,551,233	1,507,756	1,316,171	3,122,626	2,867,404
Equipment	636,151	748,663	945,653	772,726	1,581,804	1,521,389
Infrastructure	21,526,930	21,457,534	34,279,589	33,206,066	55,806,519	54,663,600
Total Capital Assets, Net-Restated	<u>\$33,546,753</u>	<u>\$33,529,895</u>	<u>\$56,854,155</u>	<u>\$46,505,187</u>	<u>\$90,400,908</u>	<u>\$80,035,082</u>

### Debt

At December 31, 2006, the City had a total debt of \$25,991,994 in long-term bonds, loans and other outstanding obligations, excluding compensated absences. Details of individual obligations can be found on page 43. A large portion of this debt is revenue bonds and not a general obligation of the City.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 ORC). Certain debt with a repayment source other than general tax revenue is excluded from this limitation. Under the definition, the City has no net indebtedness as of December 31, 2006. The aggregate principal amount of unvoted net indebtedness may not exceed \$47,840,812, which is 10.50% of the assessed value of real and personal property. This leaves an available unvoted debt limit of \$47,499,075. The aggregate principal amount of voted nonexempt net indebtedness of the City may not exceed \$25,059,473, which is 5.50% of the assessed value of real and personal property.

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

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

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	1,060,000	1,380,000	0	0	1,060,000	1,380,000
Revenue Bonds	0	0	9,607,083	10,050,833	9,607,083	10,050,833
Police and Fire Past Service Costs	102,428	104,255	0	0	102,428	104,255
OWDA Loan	0	0	15,222,475	5,863,580	15,222,475	5,863,580
Total Long Term Debt	<u>1,162,428</u>	<u>1,484,255</u>	<u>24,829,558</u>	<u>15,914,413</u>	<u>25,991,986</u>	<u>17,398,668</u>

### Economic Factors

The City's annual budget for 2006 utilized conservative revenue estimates with limited increases in base operating costs. Revenues were projected to exceed expenses in the funds by \$1,166,381. The level of services remained consistent.

Actual revenues were 32.13% more than the City's annual budget for 2006. Actual expenditures were .28% less than the 2006 original budgeted expenditures. The estimated net change to the general fund fund balance after all activity was originally budgeted was expected to decline 36.58%. The actual net change in fund balance was a decline of 2.91%.

In 2006, the City continued to control costs as in previous years. Department requests were reduced from original submission; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated. City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

**Contacting the City Finance Department**

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



**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Net Assets**  
**December 31, 2006**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$10,355,105	\$6,609,756	\$16,964,861
Cash and Cash Equivalents in Segregated Accounts	10,939	0	10,939
Cash and Cash Equivalents with Fiscal Agents	128	947,221	947,349
Investments	2,003,364	0	2,003,364
Receivables:			
Taxes	4,117,846	0	4,117,846
Accounts	548,935	4,631,223	5,180,158
Intergovernmental	1,541,509	0	1,541,509
Special Assessments	442,266	0	442,266
Internal Balances	1,310,530	(1,310,530)	0
Materials and Supplies Inventory	285,368	701,258	986,626
Prepaid Items	77,401	52,921	130,322
Unamortized Bond Issue Costs	0	179,742	179,742
Investment in Joint Venture	0	3,411,664	3,411,664
Non-Depreciable Capital Assets	4,220,594	16,858,776	21,079,370
Depreciable Capital Assets, Net	29,326,159	39,995,379	69,321,538
<i>Total Assets</i>	<u>54,240,144</u>	<u>72,077,410</u>	<u>126,317,554</u>
<b>Liabilities</b>			
Accounts Payable	400,067	2,074,274	2,474,341
Accrued Wages and Benefits	310,235	186,604	496,839
Intergovernmental Payable	305,470	147,701	453,171
Matured Interest Payable	128	1,344	1,472
Accrued Interest Payable	6,970	15,582	22,552
Claims Payable	625,279	0	625,279
Deferred Revenue	1,994,823	0	1,994,823
Unearned Revenue	31,892	0	31,892
Noncurrent Liabilities:			
Due Within One Year	724,454	724,485	1,448,939
Due In More Than One Year	2,900,388	25,873,731	28,774,119
<i>Total Liabilities</i>	<u>7,299,706</u>	<u>29,023,721</u>	<u>36,323,427</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	32,486,753	32,024,597	64,511,350
Restricted for:			
Debt Service	1,160,529	0	1,160,529
Capital Projects	2,793,395	0	2,793,395
Other Purposes	7,990,540	0	7,990,540
Unrestricted	2,509,221	11,029,092	13,538,313
<i>Total Net Assets</i>	<u>\$46,940,438</u>	<u>\$43,053,689</u>	<u>\$89,994,127</u>

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

City of Wadsworth, Ohio  
Medina County  
Statement of Activities  
For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$3,585,390	\$1,514,655	\$205,253	\$60,399	(\$1,805,083)	\$0	(\$1,805,083)
Security of Persons and Property	5,022,596	1,003,254	74,658	49,725	(3,894,959)	0	(3,894,959)
Public Health	105,621	7,545	189	0	(97,887)	0	(97,887)
Leisure Time Services	1,818,429	730,533	5,507	0	(1,082,389)	0	(1,082,389)
Community and Economic Development	455,994	92,125	756	194,687	(168,426)	0	(168,426)
Public Works	191,103	58,593	0	27,878	(104,632)	0	(104,632)
Transportation	2,528,287	40,092	94,522	0	(2,393,673)	0	(2,393,673)
Intergovernmental	5,960	193	16,325	24,243	34,801	0	34,801
Interest and Fiscal Charges	103,748	0	0	0	(103,748)	0	(103,748)
<i>Total Governmental Activities</i>	<u>13,817,128</u>	<u>3,446,990</u>	<u>397,210</u>	<u>356,932</u>	<u>(9,615,996)</u>	<u>0</u>	<u>(9,615,996)</u>
<b>Business-Type Activities</b>							
Electric	26,038,534	26,047,966	0	0	0	9,432	9,432
Sanitation	1,608,357	1,640,433	0	0	0	32,076	32,076
Sewer	2,501,651	3,865,870	0	705,186	0	2,069,405	2,069,405
Telecom	1,220,462	2,025,017	0	0	0	804,555	804,555
Water	2,783,980	2,611,536	0	319,496	0	147,052	147,052
<i>Total Business-Type Activities</i>	<u>34,152,984</u>	<u>36,190,822</u>	<u>0</u>	<u>1,024,682</u>	<u>0</u>	<u>3,062,520</u>	<u>3,062,520</u>
<i>Totals</i>	<u>\$47,970,112</u>	<u>\$39,637,812</u>	<u>\$397,210</u>	<u>\$1,381,614</u>	<u>(9,615,996)</u>	<u>3,062,520</u>	<u>(6,553,476)</u>
<b>General Revenues:</b>							
Property Taxes Levied For:							
General Purposes					977,911	0	977,911
Capital Projects					456,586	0	456,586
Special Revenue					746,445	0	746,445
Income Taxes					6,542,143	0	6,542,143
Grants and Entitlements not Restricted to Specific Programs					3,028,791	0	3,028,791
Investment Earnings					750,706	191,679	942,385
Other Income					20,024	1,936	21,960
<i>Total General Revenues</i>					<u>12,522,606</u>	<u>193,615</u>	<u>12,716,221</u>
Change in Net Assets					2,906,610	3,256,135	6,162,745
<i>Net Assets Beginning of Year, Restated</i>					<u>44,033,828</u>	<u>39,797,554</u>	<u>83,831,382</u>
<i>Net Assets End of Year</i>					<u>\$46,940,438</u>	<u>\$43,053,689</u>	<u>\$89,994,127</u>

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2006**

	General	Income Tax	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,168,224	\$1,090,360	\$7,553,313	\$9,811,897
Cash and Cash Equivalents in Segregated Accounts	10,939	0	0	10,939
Cash and Cash Equivalents With Fiscal Agents	0	0	128	128
Investments	2,003,364	0	0	2,003,364
Receivables:				
Taxes	1,001,177	1,993,854	1,122,815	4,117,846
Accounts	38,819	0	510,116	548,935
Interfund	1,036,540	422,907	1,078,674	2,538,121
Accrued Interest	42,785	0	0	42,785
Intergovernmental	887,944	0	653,565	1,541,509
Special Assessments	0	0	442,266	442,266
Materials and Supplies Inventory	1,333	0	229,921	231,254
Prepaid Items	59,594	293	17,514	77,401
<i>Total Assets</i>	<u>\$6,250,719</u>	<u>\$3,507,414</u>	<u>\$11,608,312</u>	<u>\$21,366,445</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$81,324	\$9,305	\$296,176	\$386,805
Accrued Wages and Benefits	198,910	938	97,638	297,486
Intergovernmental Payable	211,794	690	83,974	296,458
Matured Interest Payable	0	0	128	128
Accrued Interest Payable	0	0	24,958	24,958
Interfund Payable	0	0	1,340,661	1,340,661
Deferred Revenue	1,763,104	951,441	2,023,031	4,737,576
Unearned Revenue	0	0	31,892	31,892
<i>Total Liabilities</i>	<u>2,255,132</u>	<u>962,374</u>	<u>3,898,458</u>	<u>7,115,964</u>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	513,989	0	872,728	1,386,717
Prepaid Items	59,594	293	17,514	77,401
Interfund Receivable	997,540	422,907	1,078,674	2,499,121
Debt Service Principal	0	0	718,263	718,263
Unreserved, Undesignated, Reported in:				
General Fund	2,424,464	0	0	2,424,464
Special Revenue Funds	0	2,121,840	3,491,494	5,613,334
Capital Projects Funds	0	0	1,531,181	1,531,181
<i>Total Fund Balances</i>	<u>3,995,587</u>	<u>2,545,040</u>	<u>7,709,854</u>	<u>14,250,481</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,250,719</u>	<u>\$3,507,414</u>	<u>\$11,608,312</u>	<u>\$21,366,445</u>

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**December 31, 2006**

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**Total Governmental Funds Balances** \$14,250,481

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

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

Land	4,211,334	
Construction in Progress	9,260	
Land Improvements (Net of Depreciation)	845,287	
Buildings (Net of Depreciation)	4,558,080	
Vehicles (Net of Depreciation)	1,578,679	
Equipment, Furniture and Fixtures (Net of Depreciation)	632,380	
Infrastructure (Net of Depreciation)	<u>21,526,930</u>	
 Total		 33,361,950

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

Property Taxes	56,588	
Income Taxes	951,441	
Other Taxes	1,292,458	
Special Assessments	<u>442,266</u>	
 Total		 2,742,753

An internal service fund is used by management to charge the costs of insurance to individual funds, the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets

Buildings (Net of Depreciation)	144,841	
Vehicles (Net of Depreciation)	36,191	
Equipment, Furniture and Fixtures (Net of Depreciation)	3,771	
Unrestricted Net Assets	(185,136)	
Internal payable representing charges in excess of cost to business-type activities - prior years	202,760	
Internal receivable representing cost in excess of charges to business-type activities - current year	<u>(107,517)</u>	
 Total		 94,910

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	(1,060,000)	
Compensated Absences	(2,340,258)	
Police Past Service Costs	(102,428)	
Accrued Interest	<u>(6,970)</u>	
 Total		 <u>(3,509,656)</u>

*Net Assets of Governmental Activities* \$46,940,438

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	General	Income Tax	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$1,008,204	\$0	\$1,237,051	\$2,245,255
Income Taxes	0	6,354,130	0	6,354,130
Special Assessments	0	0	88,314	88,314
Charges for Services	427,926	0	1,797,370	2,225,296
Licenses and Permits	500,649	0	361,008	861,657
Fines and Forfeitures	0	0	153,247	153,247
Intergovernmental	1,332,379	196,944	1,682,567	3,211,890
Interest	590,143	0	160,563	750,706
Rent	0	0	206,790	206,790
Contributions and Donations	23,228	0	23,707	46,935
Other	9,811	0	10,213	20,024
<i>Total Revenues</i>	<u>3,892,340</u>	<u>6,551,074</u>	<u>5,720,830</u>	<u>16,164,244</u>
<b>Expenditures</b>				
Current:				
General Government	2,377,907	394,229	696,801	3,468,937
Security of Persons and Property	3,528,883	0	1,721,997	5,250,880
Public Health	55,622	0	166	55,788
Leisure Time Services	655,985	0	1,257,072	1,913,057
Community and Economic Development	212,682	0	238,256	450,938
Public Works	0	0	187,155	187,155
Transportation	0	0	2,040,176	2,040,176
Intergovernmental	1,055	0	4,905	5,960
Capital Outlay	0	0	346,555	346,555
Debt Service:				
Principal Retirement	1,827	0	320,000	321,827
Interest and Fiscal Charges	4,412	0	127,141	131,553
<i>Total Expenditures</i>	<u>6,838,373</u>	<u>394,229</u>	<u>6,940,224</u>	<u>14,172,826</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(2,946,033)</u>	<u>6,156,845</u>	<u>(1,219,394)</u>	<u>1,991,418</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,400,000	0	1,945,629	5,345,629
Transfers Out	0	(5,286,000)	(59,629)	(5,345,629)
<i>Total Other Financing Sources (Uses)</i>	<u>3,400,000</u>	<u>(5,286,000)</u>	<u>1,886,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>453,967</u>	<u>870,845</u>	<u>666,606</u>	<u>1,991,418</u>
<i>Fund Balance Beginning of Year, Restated</i>	<u>3,541,620</u>	<u>1,674,195</u>	<u>7,043,248</u>	<u>12,259,063</u>
<i>Fund Balance End of Year</i>	<u>\$3,995,587</u>	<u>\$2,545,040</u>	<u>\$7,709,854</u>	<u>\$14,250,481</u>

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

City of Wadsworth, Ohio  
Medina County  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$1,991,418

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

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

Capital Outlay	1,049,285	
Depreciation Expense	(1,025,238)	
Total		24,047

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

Loss on Sale of Capital Assets		(25,625)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(64,313)	
Income Taxes	188,013	
Other Taxes	500,842	
Special Assessments	(60,958)	
Grants	(4,090)	
Total		559,494

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

General Obligation Bonds	320,000	
Police and Fire Past Service Costs	1,827	
Total		321,827

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

27,805

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

Compensated Absences		(137,458)
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The internal service funds used by management to charge the costs of insurance and Workers' Compensation to individual funds are not reported in the entity-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

Change in net assets of the internal service funds	252,619	
Plus: Increase from charges to business-type activities	(107,517)	
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.		145,102

*Change in Net Assets of Governmental Activities* \$2,906,610

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$689,861	\$1,173,481	\$1,008,204	(\$165,277)
Charges for Services	489,608	420,108	398,489	(21,619)
Licenses and Permits	512,030	550,330	494,843	(55,487)
Intergovernmental	983,210	966,919	1,266,435	299,516
Interest	158,680	158,680	579,382	420,702
Contributions and Donations	16,562	10,362	23,228	12,866
Refunds	123,795	167,856	158,494	(9,362)
<b>Total Revenues</b>	<b>2,973,746</b>	<b>3,447,736</b>	<b>3,929,075</b>	<b>481,339</b>
<b>Expenditures</b>				
Current:				
General Government	2,563,606	2,734,807	2,621,384	113,423
Security of Persons and Property	3,845,312	4,110,820	3,813,575	297,245
Public Health	51,356	65,938	61,981	3,957
Leisure Time Services	779,941	761,354	740,313	21,041
Community and Economic Development	253,527	256,830	233,962	22,868
Intergovernmental	0	4,765	1,622	3,143
Debt Service:				
Principal Retirements	1,827	1,827	1,827	0
Interest and Fiscal Charges	4,427	4,427	4,412	15
<b>Total Expenditures</b>	<b>7,499,996</b>	<b>7,940,768</b>	<b>7,479,076</b>	<b>461,692</b>
Excess of Revenues Over (Under) Expenditures	(4,526,250)	(4,493,032)	(3,550,001)	943,031
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,365,651	3,365,651	3,400,000	34,349
Proceeds from Sale of Capital Assets	0	0	8,520	8,520
Advances In	0	0	88,161	88,161
Advances Out	0	(39,000)	(39,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,365,651</b>	<b>3,326,651</b>	<b>3,457,681</b>	<b>131,030</b>
Net Change in Fund Balance	(1,160,599)	(1,166,381)	(92,320)	1,074,061
Fund Balance at Beginning of Fiscal Year	3,172,663	3,172,663	3,172,663	0
Prior Fiscal Year Encumbrances Appropriated	454,851	454,851	454,851	0
Fund Balance at End of Fiscal Year	<u>\$2,466,915</u>	<u>\$2,461,133</u>	<u>\$3,535,194</u>	<u>\$1,074,061</u>

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Income Tax**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$6,100,000	\$6,300,000	\$6,296,305	(\$3,695)
Intergovernmental	20,000	125,049	196,928	71,879
Refunds	25	35	16	(19)
Total Revenues	6,120,025	6,425,084	6,493,249	68,165
<b>Expenditures</b>				
Current:				
General Government	433,735	436,041	398,906	37,135
Excess of Revenues Over Expenditures	5,686,290	5,989,043	6,094,343	105,300
<b>Other Financing Uses</b>				
Transfers Out	(5,286,000)	(5,286,000)	(5,286,000)	0
Net Change in Fund Balance	400,290	703,043	808,343	105,300
Fund Balance at Beginning of Fiscal Year	698,171	698,171	698,171	0
Prior Fiscal Year Encumbrances Appropriated	3,955	3,955	3,955	0
Fund Balance at End of Fiscal Year	<u>\$1,102,416</u>	<u>\$1,405,169</u>	<u>\$1,510,469</u>	<u>\$105,300</u>

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



City of Wadsworth, Ohio  
Medina County  
Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2006

	Sewer	Water	Electric	All Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
<b>Assets</b>						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,153,025	\$1,011,067	\$277,989	\$1,167,675	\$6,609,756	\$543,208
Cash and Cash Equivalents with Fiscal Agents	0	1,344	945,877	0	947,221	0
Materials and Supplies Inventory	3,228	192,627	505,403	0	701,258	54,114
Receivables:						
Accounts	467,969	350,835	3,511,456	300,963	4,631,223	0
Interfund	358,066	298,355	712,125	89,516	1,458,062	0
Prepaid Items	9,475	11,272	25,427	6,747	52,921	0
<b>Total Current Assets</b>	<b>4,991,763</b>	<b>1,865,500</b>	<b>5,978,277</b>	<b>1,564,901</b>	<b>14,400,441</b>	<b>597,322</b>
Noncurrent Assets:						
Unamortized Bond Issue Costs	0	0	179,742	0	179,742	0
Investment in Joint Venture	0	0	3,411,664	0	3,411,664	0
Non-Depreciable Capital Assets	15,336,270	323,333	1,198,369	804	16,858,776	0
Depreciable Capital Assets, Net	5,778,895	10,781,547	22,211,873	1,223,064	39,995,379	184,803
<b>Total Noncurrent Assets</b>	<b>21,115,165</b>	<b>11,104,880</b>	<b>27,001,648</b>	<b>1,223,868</b>	<b>60,445,561</b>	<b>184,803</b>
<b>Total Assets</b>	<b>26,106,928</b>	<b>12,970,380</b>	<b>32,979,925</b>	<b>2,788,769</b>	<b>74,846,002</b>	<b>782,125</b>
<b>Liabilities</b>						
Current Liabilities:						
Accounts Payable	99,560	47,606	1,703,441	223,667	2,074,274	13,262
Accrued Wages and Benefits	24,049	36,226	102,165	24,164	186,604	12,749
Intergovernmental Payable	17,953	27,097	84,844	17,807	147,701	9,012
Matured Interest Payable	0	1,344	0	0	1,344	0
Accrued Interest Payable	0	5,156	24,739	3,514	33,409	0
Interfund Payable	0	715,310	1,552,087	388,125	2,655,522	0
Unamortized Premium on Bonds	0	0	56,077	0	56,077	0
Claims Payable	0	0	0	0	0	625,279
Compensated Absences Payable	36,776	53,839	145,338	28,532	264,485	19,282
Revenue Bonds Payable	0	0	460,000	0	460,000	0
<b>Total Current Liabilities</b>	<b>178,338</b>	<b>886,578</b>	<b>4,128,691</b>	<b>685,809</b>	<b>5,879,416</b>	<b>679,584</b>
Noncurrent Liabilities:						
Compensated Absences Payable - Net of Current Portion	201,349	293,287	798,847	154,613	1,448,096	102,874
OWDA Loans Payable	15,222,475	0	0	0	15,222,475	0
Revenue Bonds Payable - Net of Current Portion	0	0	9,147,083	0	9,147,083	0
<b>Total Noncurrent Liabilities</b>	<b>15,423,824</b>	<b>293,287</b>	<b>9,945,930</b>	<b>154,613</b>	<b>25,817,654</b>	<b>102,874</b>
<b>Total Liabilities</b>	<b>15,602,162</b>	<b>1,179,865</b>	<b>14,074,621</b>	<b>840,422</b>	<b>31,697,070</b>	<b>782,458</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt Unrestricted	5,892,690 4,612,076	11,104,880 685,635	13,803,159 5,102,145	1,223,868 724,479	32,024,597 11,124,335	184,803 (185,136)
<b>Total Net Assets</b>	<b>\$10,504,766</b>	<b>\$11,790,515</b>	<b>\$18,905,304</b>	<b>\$1,948,347</b>	<b>43,148,932</b>	<b>(\$333)</b>
Net adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					(95,243)	
Net Assets of Business-Type Activities					\$43,053,689	

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

City of Wadsworth, Ohio  
Medina County  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2006

	Sewer	Water	Electric	All Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
<b>Operating Revenues</b>						
Charges for Services	\$3,865,870	\$2,611,536	\$26,047,966	\$3,665,450	\$36,190,822	\$3,200,448
Other	0	1,642	40	0	1,682	0
<i>Total Operating Revenues</i>	<u>3,865,870</u>	<u>2,613,178</u>	<u>26,048,006</u>	<u>3,665,450</u>	<u>36,192,504</u>	<u>3,200,448</u>
<b>Operating Expenses</b>						
Personal Services	736,329	1,384,843	3,981,498	799,920	6,902,590	394,112
Contractual Services	1,452,085	860,298	18,797,347	1,646,949	22,756,679	275,446
Materials and Supplies	153,444	239,173	963,470	160,889	1,516,976	330,014
Claims	0	0	0	0	0	1,934,187
Intergovernmental	0	0	251,059	0	251,059	0
Depreciation	169,055	282,363	1,540,305	221,554	2,213,277	14,070
Other	1,664	1,493	793	4,236	8,186	0
<i>Total Operating Expenses</i>	<u>2,512,577</u>	<u>2,768,170</u>	<u>25,534,472</u>	<u>2,833,548</u>	<u>33,648,767</u>	<u>2,947,829</u>
<i>Operating Income (Loss)</i>	<u>1,353,293</u>	<u>(154,992)</u>	<u>513,534</u>	<u>831,902</u>	<u>2,543,737</u>	<u>252,619</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest	41,987	38,249	146,387	10,497	237,120	0
Capital Grants and Contributions	705,186	319,496	0	0	1,024,682	0
Investment in Joint Venture	0	0	(45,441)	0	(45,441)	0
Other Non-Operating Revenue	0	254	0	0	254	0
Interest and Fiscal Charges	0	(36,285)	(490,215)	(9,107)	(535,607)	0
Loss on Disposal of Capital Assets	0	0	(76,127)	0	(76,127)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>747,173</u>	<u>321,714</u>	<u>(465,396)</u>	<u>1,390</u>	<u>604,881</u>	<u>0</u>
<i>Change in Net Assets</i>	<u>2,100,466</u>	<u>166,722</u>	<u>48,138</u>	<u>833,292</u>	<u>3,148,618</u>	<u>252,619</u>
<i>Net Assets at Beginning of Year - Restated</i>	<u>8,404,300</u>	<u>11,623,793</u>	<u>18,857,166</u>	<u>1,115,055</u>		<u>(252,952)</u>
<i>Net Assets at End of Year</i>	<u>\$10,504,766</u>	<u>\$11,790,515</u>	<u>\$18,905,304</u>	<u>\$1,948,347</u>		<u>(\$333)</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					<u>107,517</u>	
Change in Net Assets of Business-Type Activities					<u>\$3,256,135</u>	

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

City of Wadsworth, Ohio  
Medina County  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2006

	Enterprise Funds				Governmental Activity	
	Sewer	Water	Electric	All Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$3,819,933	\$2,612,853	\$25,190,841	\$3,637,633	\$35,261,260	\$3,200,448
Cash Payments to Employees for Services	(789,810)	(1,302,052)	(3,965,004)	(842,481)	(6,899,347)	(378,517)
Cash Payments for Goods and Services	(1,607,561)	(1,164,239)	(19,570,394)	(1,749,613)	(24,091,807)	(689,762)
Cash Payments for Claims	0	0	0	0	0	(2,075,198)
Other Operating Revenue	0	1,120	85,083	0	86,203	0
Other Operating Expenses	(1,664)	(1,493)	(251,852)	(4,236)	(259,245)	0
Net Cash Provided by (Used for) Operating Activities	1,420,898	146,189	1,488,674	1,041,303	4,097,064	56,971
<b>Cash Flows from Noncapital Financing Activities</b>						
Interfund Receivable	(358,066)	(298,355)	(712,125)	(89,516)	(1,458,062)	0
Interfund Receivable Repaid from Other Funds	0	462,122	624,292	0	1,086,414	0
Interfund Payable	0	715,310	1,552,087	388,125	2,655,522	0
Repayment of Interfund Payable	0	(949,590)	(980,890)	(248,050)	(2,178,530)	0
Interest Payments	0	(37,984)	0	(3,622)	(41,606)	0
Other Non-Operating Revenue	0	254	0	0	254	0
Net Cash Provided by Noncapital Financing Activities	(358,066)	(108,243)	483,364	46,937	63,992	0
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from Loans	9,607,247	0	0	0	9,607,247	0
Acquisition of Capital Assets	(9,621,124)	(119,210)	(1,198,789)	(888,366)	(11,827,489)	(32,506)
Principal Payments	0	0	(443,750)	0	(443,750)	0
Interest Payments	0	0	(478,234)	(6,300)	(484,534)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	(13,877)	(119,210)	(2,120,773)	(894,666)	(3,148,526)	(32,506)
<b>Cash Flows from Investing Activities</b>						
Interest on Investments	41,987	38,249	143,436	10,497	234,169	0
Net Cash Provided by Investing Activities	41,987	38,249	143,436	10,497	234,169	0
Net Increase (Decrease) in Cash and Cash Equivalents	1,090,942	(43,015)	(5,299)	204,071	1,246,699	24,465
Cash and Cash Equivalents Beginning of Year	3,062,083	1,054,082	283,288	963,604	5,363,057	518,743
Cash and Cash Equivalents End of Year	\$4,153,025	\$1,011,067	\$277,989	\$1,167,675	\$6,609,756	\$543,208
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating Income (Loss)	\$1,353,293	(\$154,992)	\$513,534	\$831,902	\$2,543,737	\$252,619
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Depreciation	169,055	282,363	1,540,305	221,554	2,213,277	14,070
Work in Progress Inventory Not Capitalized	0	0	213,799	0	213,799	0
<b>(Increase) Decrease in Operating Assets:</b>						
Accounts Receivable	(45,937)	795	474,691	(27,817)	401,732	0
Prepaid Items	765	2,408	2,619	452	6,244	0
Materials and Supplies Inventory	(750)	(57,478)	9,185	0	(49,043)	(3,069)
<b>Increase (Decrease) in Operating Liabilities:</b>						
Accounts Payable	(2,047)	(9,698)	(1,281,953)	57,773	(1,235,925)	(81,233)
Accrued Wages and Benefits	(702)	4,976	(3,478)	885	1,681	3,147
Compensated Absences Payable	(50,393)	77,078	20,049	(43,115)	3,619	11,473
Intergovernmental Payable	(2,386)	737	(77)	(331)	(2,057)	975
Claims Payable	0	0	0	0	0	(141,011)
Total Adjustments	67,605	301,181	975,140	209,401	1,553,327	(195,648)
Net Cash Provided by (Used for) Operating Activities	\$1,420,898	\$146,189	\$1,488,674	\$1,041,303	\$4,097,064	\$56,971
Non-Cash Capital Activities:						
Capital Assets Contributed by Developers	705,186	319,496	0	0	1,024,682	0

The Sewer Fund received an additional OWDA loan of \$9,358,895, which resulted from the OWDA making direct payments to contractors on behalf of the City.

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**December 31, 2006**

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	<u>Agency</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$82,167
Cash and Cash Equivalents in Segregated Accounts	<u>1,015,548</u>
Total Current Assets	<u>1,097,715</u>
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>323,946</u>
Total Noncurrent Assets	<u>323,946</u>
<i>Total Assets</i>	<u><u>\$1,421,661</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	122,557
Retainage Payable	<u>975,158</u>
Total Current Liabilities	<u>1,097,715</u>
Current Liabilities Payable From Restricted Assets:	
Refundable Deposits	<u>323,946</u>
<i>Total Liabilities</i>	<u><u>\$1,421,661</u></u>

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

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

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

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

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

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

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

**A. *Basis of Presentation***

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly

**CITY OF WADSWORTH, OHIO**  
**MEDINA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

**B. *Fund Accounting***

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

**CITY OF WADSWORTH, OHIO**  
**MEDINA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City does not have trust funds. The agency funds account for municipal court collections that are distributed to various local governments maintaining the law library and assisting in payment of individuals' utilities. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. *Measurement Focus***

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

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

The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**D. *Basis of Accounting***

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

**CITY OF WADSWORTH, OHIO**  
**MEDINA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Revenues - Exchange and Non-Exchange Transactions

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, tuition, grants, fees and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**E. *Budgetaries***

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



**CITY OF WADSWORTH, OHIO**  
**MEDINA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

budgetary modifications at this level may only be made by resolution of the City Council.

**Tax Budget** In July, the City Administration presents the annual Tax Budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The City of Wadsworth obtained an extension of 30 days from the Budget Commission.

**Estimated Resources** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The Certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2006.

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

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

**Encumbrances** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the basic financial statements for the proprietary funds.

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

**F. Cash, Cash Equivalents and Investments**

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. During the year 2006, interest revenue credited to the general fund, bond retirement fund, and electric fund amounted to \$590,143, \$34,771, and \$146,387, which includes \$416,924, \$3,897 and \$106,081, respectively, assigned from other City funds.

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

**G. *Interfund Balances***

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

**H. *Inventory***

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

Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types and proprietary funds when used.

**I. *Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**J. *Capital Assets***

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

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold for all items having a cost of five thousand dollars or more. Exceptions exist for items such as an interest in land, which is always capitalized. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

**K. *Compensated Absences***

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

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

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

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

**L. *Accrued and Long-Term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are

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reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

**M. *Fund Balance Reserves***

The City records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balances are reserved for encumbrances, debt service principal payments, interfund receivable/payable and prepaids.

**N. *Net Assets***

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

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

**O. *Operating Revenues and Expenses***

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

**P. *Contributions of Capital***

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

**Q. *Interfund Activity***

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

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

**R. *Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

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**S. Estimates**

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

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

**A. Changes in Accounting Principles**

For fiscal year 2006, the City has implemented GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” which establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The implementation of GASB 46 had no material effect on the financial statements as they were previously reported as of June 30, 2006. In addition, the City implemented GASB Statement No. 47, “Accounting for Termination Benefits” which establishes standards of accounting and financial reporting for termination benefits. The implementation of GASB 47 had no material effect on the financial statements as they were previously reported as of June 30, 2006.

**B. Restatement of Prior Year Net Assets**

Long-term interfund bonds had been posted to the Entity-Wide statements only for the Governmental Funds. They are being reclassified to the modified basis as interfund receivable/payable. The result of this change and the effect on Fund Balance is summarized below. There is no effect on Net Assets.

At December 31, 2005, not all of the capital assets were recorded. The result of this change and the effect on Net Assets is summarized below:

**Governmental Funds:**

	<b>Governmental Funds</b>			
	<u>General Fund</u>	<u>Income Tax</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance At December 31, 2005	\$3,541,620	\$1,674,195	\$7,423,526	\$12,639,341
Adjustment for Long-Term Interfund Activity	0	0	(380,278)	(380,278)
Restated Fund Balance at December 31, 2005	<u>\$3,541,620</u>	<u>\$1,674,195</u>	<u>\$7,043,248</u>	<u>\$12,259,063</u>

**Enterprise Funds:**

	<b>Proprietary Funds</b>				
	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>	<u>All Other Enterprise Funds</u>	<u>Total Enterprise</u>
Net Assets At December 31, 2005	\$8,404,300	\$10,272,919	\$18,088,814	\$1,115,055	\$37,881,088
Adjustment of Capital Assets, Net	0	1,350,874	768,352	0	2,119,226
Restated Net Assets at December 31, 2005	<u>\$8,404,300</u>	<u>\$11,623,793</u>	<u>\$18,857,166</u>	<u>\$1,115,055</u>	<u>\$40,000,314</u>

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Assets At December 31, 2005	\$40,590,305	\$37,678,328
Adjustment of Capital Assets, Net	3,443,523	2,119,226
Restated Net Assets at December 31, 2005	<u>\$44,033,828</u>	<u>\$39,797,554</u>

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

	Net Changes in Fund Balance	
	General Fund	Income Tax Fund
GAAP Basis	\$453,967	\$870,845
Net Adjustment for Revenue Accruals	133,416	(57,825)
Net Adjustment for Expenditure Accruals	(1,275,018)	(7,476)
Encumbrances	595,315	2,799
Budget Basis	(\$92,320)	\$808,343

**NOTE 5 – ACCOUNTABILITY AND COMPLIANCE**

*A. Deficit Fund Balances*

The following funds had a deficit in fund balance at December 31, 2006:

Fund	Deficit
Capital Project Funds	
CDBG	(\$60,689)
Special Assessments	(\$705,932)

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

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B. *Appropriations Exceed Estimated Resources* – Ohio Revised Code Section 5705.39 prohibits appropriations from exceeding the total estimated resources. The following funds had appropriations exceeding estimated resources at February 21, 2006 and October 16, 2006:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>February 21, 2006 (Original)</u>			
Capital Projects Fund:			
Airport	\$422,001	\$428,613	(\$6,612)
<u>October 16, 2006 (Amendment 6)</u>			
Special Revenue Fund:			
Recreation	\$1,056,778	\$1,058,283	(\$1,505)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer’s investment pool (STAR Ohio); and
7. Banker’s Acceptances and Commercial Paper notes, each with a maturity not exceeding 180 days. Commercial Paper must be rated at the time of purchase in the highest classification by at least two (2) nationally recognized rating services. The combined total of Banker’s Acceptances and Commercial Paper will not exceed 25% of the total portfolio at the time of purchase.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. The City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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

**Deposits**

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 102% of the total value of public monies on deposit at the institution.

At December 31, 2006, of the City’s bank balance of \$15,679,882, \$370,604 was covered by FDIC and \$15,309,278 was held in collateral pools with no specifications for whom such funds are held.

**Investments**

As of December 31, 2006, the City had the following investments and maturities:

Investment Type	Investment Maturity in Years		
	Fair Value	Less Than One Year	More Than 10
STAR Ohio	\$2,157,194	\$2,157,194	\$0
Repurchase Agreement	1,494,468	1,494,468	0
Federal Home Loan Mortgage Corporation Discount Notes	999,100	999,100	0
Government National Mortgage Association	7,703	0	7,703
Federal Home Loan Mortgage Corporation	996,560	996,560	0
Total	<u>\$5,655,025</u>	<u>\$5,647,322</u>	<u>\$7,703</u>



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

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

STAR Ohio	AAA
Federal Home Loan Mortgage Corporation Discount Notes	AAA
Federal Home Loan Mortgage Corporation Notes	AAA

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

**Concentration of Credit Risk** is the possibility of loss attributed to the magnitude of the City's investment in a single issuer. More than five percent of the City's investments are in STAR Ohio, Federal Home Loan Mortgage Corporation Discount Notes, and Federal Home Loan Mortgage Corporation Notes. These investments are 36%, 17%, and 17% respectively, of the City's total investments. The City's policy places no limit on the amount that may be invested in any one issuer.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consisted with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on December 31, 2006.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2006, consisted of taxes, accounts (billings for user charged services, rents and royalties), interfund, special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements and shared revenues. Accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

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

**NOTE 8 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35% of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

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2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25% of true value.

The full tax rate for all City operations for the year ended December 31, 2006, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

	Total Assessed Value	%
Real Property Valuation:		
Residential/Agriculture	\$336,788,630	73.92%
Commercial/Industrial/Mineral	89,321,260	19.60%
Public Utilities	12,850	0.00%
Tangible Personal Property Valuation:		
General	26,923,305	5.91%
Public Utilities	2,580,740	0.57%
Total Valuation	\$455,626,785	100.00%

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

**NOTE 9 - INCOME TAX**

The City levies and collects an income tax of 1.3% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit for the tax paid to another municipality to offset up to 1.0% of the total rate. Residents are required to remit the remaining 0.3% to the City’s tax collection agency. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2006 received 60 days after year-end have been recognized as revenue in 2006.

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

Income tax revenues are distributed, as needed, to the various funds of the City pursuant to Council ordinance. In 2006 income tax revenue was distributed to the following funds: General; Recreation; Street; and Capital Improvement.

**NOTE 10 - SPECIAL ASSESSMENTS**

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

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

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**NOTE 11 - RISK MANAGEMENT**

**A. Liability Insurance**

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

1. Blanket building and personal property insurance, with a \$2,500 deductible and a \$23,588,362 limit on buildings and property in the open, \$7,487,206 limit on business personal property.
2. Vehicle liability insurance with physical damage, comprehensive and collision subject to a \$1,000,000 limit per accident or loss. A comprehensive deductible of \$500 and a collision deductible of \$2,000 applies to two fire trucks.
3. Law enforcement liability coverage with a \$1,000,000 limit and a \$10,000 deductible.
4. Public officials' liability coverage with a \$1,000,000 limit and a \$10,000 deductible.
5. Umbrella liability coverage of \$5,000,000 per occurrence and aggregate.

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

**B. Workers' Compensation**

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

**C. Health Insurance**

The City has elected to provide employee medical, prescription, dental, and vision benefits through a self-insurance program with a Stop Loss Policy to insure against specific and aggregate losses. The City maintains a self-insurance fund, number 720, to account for and finance its risk of loss. Stop loss coverage of \$85,000 with an aggregate of \$2,254,208 is purchased, generally 125% of excepted claims. The Fund is financed by assessing City Departments the amount necessary to pay all costs and maintain a reasonable carryover balance. As of December 31, 2006, the Departments were assessed per each employee at the rate of \$366.30 per individual coverage and \$970.21 per family coverage. Employee contributions per pay were \$5.00 for single coverage and \$10.00 for family. Coverage is administered by Medical Mutual, a third party administrator.

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

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

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

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The claims liability of \$625,279 reported in the self-insurance fund at December 31, 2006 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Services" which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years is as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$490,411	\$2,078,974	(\$1,803,095)	\$766,290
2006	\$766,290	\$1,934,187	(\$2,075,198)	\$625,279

**NOTE 12 – CAPITAL ASSETS**

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

	Balance 12/31/05	Restatements 01/01/06	Beginning Balance 01/01/06	Additions	Deletions	Balance 12/31/06
<b>Governmental Activities</b>						
Capital Assets, Not Being Depreciated:						
Land	\$3,960,515	\$50,447	\$4,010,962	\$200,372	\$0	\$4,211,334
Construction in Progress	0	0	0	9,260	0	9,260
Total Capital Assets, Not Being Depreciated	3,960,515	50,447	4,010,962	209,632	0	4,220,594
Capital Assets, Being Depreciated:						
Land Improvements	1,522,391	23,745	1,546,136	311	0	1,546,447
Buildings	7,610,167	32,078	7,642,245	0	0	7,642,245
Equipment	1,970,958	137,718	2,108,676	11,515	0	2,120,191
Vehicles	3,549,431	350,492	3,899,923	258,258	0	4,158,181
Infrastructure	24,563,383	3,178,860	27,742,243	602,075	(127,011)	28,217,307
Total Capital Assets, Being Depreciated	39,216,330	3,722,893	42,939,223	872,159	(127,011)	43,684,371
Less Accumulated Depreciation:						
Land Improvements	(666,072)	0	(666,072)	(35,088)	0	(701,160)
Buildings	(2,759,301)	(1,505)	(2,760,806)	(178,518)	0	(2,939,324)
Equipment	(1,351,700)	(8,313)	(1,360,013)	(124,027)	0	(1,484,040)
Vehicles	(2,334,817)	(13,873)	(2,348,690)	(194,621)	0	(2,543,311)
Infrastructure	(5,978,583)	(306,126)	(6,284,709)	(507,054)	101,386	(6,690,377)
Total Accumulated Depreciation	(13,090,473)	(329,817)	(13,420,290)	(1,039,308)*	101,386	(14,358,212)
Total Capital Assets, Being Depreciated, net	26,125,857	3,393,076	29,518,933	(167,149)	(25,625)	29,326,159
Governmental Activities Capital Assets, net	<u>\$30,086,372</u>	<u>\$3,443,523</u>	<u>\$33,529,895</u>	<u>\$42,483</u>	<u>(\$25,625)</u>	<u>\$33,546,753</u>

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

	Balance 12/31/05	Restatements 01/01/06	Beginning Balance 01/01/06	Additions	Deletions	Balance 12/31/06
<b>Business-Type Activities</b>						
Capital Assets, Not Being Depreciated:						
Land	\$492,686	\$0	\$492,686	\$39,531	\$0	\$532,217
Construction in Progress	5,943,580	0	5,943,580	9,373,605	0	15,317,185
Infrastructure Work in Progress	1,652,583	0	1,652,583	301,784	(944,993)	1,009,374
Total Capital Assets, Not Being Depreciated	8,088,849	0	8,088,849	9,714,920	(944,993)	16,858,776
Capital Assets, Being Depreciated:						
Land Improvements	7,258	0	7,258	0	0	7,258
Buildings	6,647,201	0	6,647,201	286,761	0	6,933,962
Equipment	1,588,292	118,540	1,706,832	342,150	(13,168)	2,035,814
Infrastructure	52,020,733	1,927,304	53,948,037	2,782,636	(310,769)	56,419,904
Vehicles	3,597,992	152,717	3,750,709	456,898	(41,396)	4,166,211
Total Capital Assets, Being Depreciated	63,861,476	2,198,561	66,060,037	3,868,445	(365,333)	69,563,149
Less Accumulated Depreciation:						
Land Improvements	(1,452)	0	(1,452)	(363)	0	(1,815)
Buildings	(3,531,632)	0	(3,531,632)	(145,392)	0	(3,677,024)
Equipment	(934,106)	0	(934,106)	(156,055)	0	(1,090,161)
Infrastructure	(20,662,636)	(79,335)	(20,741,971)	(1,584,860)	186,516	(22,140,315)
Vehicles	(2,434,538)	0	(2,434,538)	(326,607)	102,690	(2,658,455)
Total Accumulated Depreciation	(27,564,364)	(79,335)	(27,643,699)	(2,213,277)	289,206	(29,567,770)
Total Capital Assets, Being Depreciated, net	36,297,112	2,119,226	38,416,338	1,655,168	(76,127)	39,995,379
Business-Type Activities Capital Assets, net	<u>\$44,385,961</u>	<u>\$2,119,226</u>	<u>\$46,505,187</u>	<u>\$11,370,088</u>	<u>(\$1,021,120)</u>	<u>\$56,854,155</u>

\*Depreciation expense was charged to governmental functions as follows:

General Government	\$199,612
Security of Persons and Property	142,584
Public Health	49,843
Transportation	574,238
Leisure Time Activities	73,031
Total Depreciation Expense	<u>\$1,039,308</u>

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. *Public Employees Retirement System***

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

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

Plan members are required to contribute 9.0% of their annual covered salary to fund pension benefit obligations. The City is required to contribute 13.70%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to the OPERS for the years ending December 31, 2006, 2005, and 2004 were \$9672,104, \$1,014,409, and \$953,145, respectively, equal to the required contributions for each year. 93.26% has been contributed for 2006.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City's contributions for pension obligations to the OP&F Ohio for the years ending December 31, 2006, 2005, and 2004 were \$278,912, \$269,831, and \$243,648, respectively, equal to the required contributions for 2005 and 2004. 69.76% has been contributed for 2006.

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**C. *Social Security System***

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

**NOTE 14 – POST EMPLOYMENT BENEFITS**

**A. *Public Employees Retirement System***

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

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

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers." A portion of each employer's contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate was 13.70% of covered payroll; 4.50% was the portion that was used to fund health care for the year 2006. The City's actual contributions for 2006 which were used to fund post-employment benefits were \$475,485.

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

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

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

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

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

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

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The City's actual contributions for 2006 which were used to fund post-employment benefits were \$170,550.

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2005 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The OP&F's total health care expenses for the year ended December 31, 2006; (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, was 14,120 for police and 10563 for firefighters.

**NOTE 15 - COMPENSATED ABSENCES**

City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee up to a maximum of 160 days. As of December 31, 2006, the City's liability for compensated absences was \$2,462,414 for governmental activities and \$1,712,581 for business-type activities.

**NOTE 16 – LONG-TERM OBLIGATIONS**

	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
1997 City Hall Construction	8.00%	\$3,500,000	December 1, 2009
1968 Liability for Police Past Service Cost	2.36%	\$124,769	May 15, 2035
<b>Business-Type Activities:</b>			
2000 American Municipal Power – Ohio	1.65% - 5.25%	\$11,645,000	February 15, 2022
OWDA LOAN	3.15%	\$22,473,136	January 1, 2028



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Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due In One Year</u>
<b>Governmental Activities:</b>					
1997 City Hall Construction General Obligation Bond	\$1,380,000	\$0	(\$320,000)	\$1,060,000	\$335,000
1968 Liability for Police Past Service Cost	104,255	0	(1,827)	102,428	1,905
<b>Total Long-Term Debt</b>	<u>1,484,255</u>	<u>0</u>	<u>(321,827)</u>	<u>1,162,428</u>	<u>336,905</u>
Compensated Absences	2,313,483	516,073	(367,142)	2,462,414	387,549
<b>Governmental Activities- Long Term Liabilities</b>	<u>\$3,797,738</u>	<u>\$516,073</u>	<u>(\$688,969)</u>	<u>\$3,624,842</u>	<u>\$724,454</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due In One Year</u>
<b>Business-Type Activities:</b>					
2000 American Municipal Power- Ohio Revenue Bonds	\$10,050,833	\$0	(\$443,750)	\$9,607,083	\$460,000
Plus Deferred Amounts:					
Unamortized Premium on Bonds	59,028	0	(2,951)	56,077	0
OWDA Loan	5,863,580	9,358,895	0	15,222,475	0
<b>Total Long-Term Debt</b>	<u>15,973,441</u>	<u>9,358,895</u>	<u>(446,701)</u>	<u>24,885,635</u>	<u>460,000</u>
Compensated Absences	1,708,962	270,482	(266,863)	1,712,581	264,485
<b>Business-Type- Long Term Liabilities</b>	<u>\$17,682,403</u>	<u>\$9,629,377</u>	<u>(\$713,564)</u>	<u>\$26,598,216</u>	<u>\$724,485</u>

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

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

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

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On January 27, 2005, the City obtained an OWDA loan for improvements to the waste water treatment plant. An additional OWDA loan of \$9,358,895 was obtained by the City in 2006. The loan will be paid from sewer user fees and sewer tap-in fees. The loan will not have an accurate repayment schedule until the loan is finalized, and therefore, is not included in the schedule of future annual debt service requirements.

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

The annual requirements to amortize all long-term debt outstanding as of December 31, 2006, are as follows:

Year Ending December 31	GOVERNMENTAL ACTIVITIES			
	Police Past Service Cost		General Obligation	
	Principal	Interest	Principal	Interest
2007	\$1,905	\$4,333	\$335,000	\$50,915
2008	1,987	4,251	355,000	35,170
2009	2,072	4,166	370,000	18,130
2010	2,161	4,077	0	0
2011	2,254	3,984	0	0
2012-2016	12,809	18,381	0	0
2017-2021	15,807	15,383	0	0
2022-2026	19,506	11,684	0	0
2027-2031	24,072	7,118	0	0
2032-2035	19,855	1,704	0	0
Total	<u>\$102,428</u>	<u>\$75,081</u>	<u>\$1,060,000</u>	<u>\$104,215</u>

Year Ending December 31	BUSINESS-TYPE ACTIVITIES	
	Revenue Bonds	
	Principal	Interest
2007	\$460,000	\$454,003
2008	473,750	436,354
2009	493,333	417,307
2010	513,333	396,957
2011	533,333	375,276
2012-2016	3,077,499	1,435,581
2017-2021	3,983,750	535,582
2022-2026	72,085	1,833
Total	<u>\$9,607,083</u>	<u>\$4,052,893</u>

**NOTE 17 – CONSTRUCTION COMMITMENTS**

The City has an active construction project as of December 31, 2006. The project is for improvements to the waste water treatment plant. To date, the City has spent \$15,222,475 with a remaining commitment of \$6,912,576.

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**NOTE 18 - CONTINGENT LIABILITIES**

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

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

**NOTE 19 – INTERFUND TRANSACTIONS**

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

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

Following is a detail of Interfund Notes Receivable/Payable, by debt issue, during 2006:

	<u>Balance</u> 01/01/06	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/06
<b>Governmental Activities:</b>				
<b>Non-Major Governmental Funds</b>				
2005 Street Improvements				
Issue: 11/05, Maturity 11/06, Rate 4.00%	\$37,000	\$0	(\$37,000)	\$0
2004 Sidewalk Improvements				
Issue: 11/05, Maturity 11/06, Rate 4.00%	36,000	0	(36,000)	0
2002 Durling Drive Improvements				
Issue: 07/05, Maturity 07/06, Rate 4.00%	34,000	75,000	(34,000)	75,000
2005 Akron Road Improvements				
Issue: 4/05, Maturity 4/06, Rate 4.00%	350,000	510,000	(350,000)	510,000
2005 Sidewalk Improvements				
Issue: 11/06, Maturity 11/07, Rate 4.50%	0	62,000	0	62,000
2006 Street Improvement				
Issue: 11/06, Maturity 11/07, Rate 4.50%	0	41,200	0	41,200
2005 Stormwater Improvements				
Issue 11/05, Maturity 11/06, Rate 4.00%	80,000	0	(80,000)	0
2006 Stormwater Improvements				
Issue 11/06, Maturity 11/07, Rate 4.50%	0	140,000	0	140,000
Airport Improvements				
Issue 11/06, Maturity 11/07, Rate 4.50%	0	130,000	0	130,000
<b>Total Governmental Activities</b>	<u>\$537,000</u>	<u>\$958,200</u>	<u>(\$537,000)</u>	<u>\$958,200</u>

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	<u>Balance</u> 01/01/06	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/06
<b>Proprietary Funds:</b>				
<b>Water Fund</b>				
2004 Rogues Hollow Well				
Issue: 12/05, Maturity 12/06, Rate 4.00%	\$495,000	\$0	(\$495,000)	\$0
2004 Rogues Hollow Well				
Issue: 12/06, Maturity 12/07, Rate 4.00%	0	430,000	0	430,000
2002 Water Treatment Plant				
Issue: 04/05, Maturity 04/06, Rate 4.00%	200,000	0	(200,000)	0
2002 Water Treatment Plant				
Issue: 04/06, Maturity 04/07, Rate 4.00%	0	160,000	0	160,000
1997 Development of Water Wells				
Issue: 09/05, Maturity 09/06, Rate 4.00%	49,590	0	(49,590)	0
1997 Development of Water Wells				
Issue: 09/06, Maturity 09/07, Rate 4.00%	0	33,060	0	33,060
2001 Lagoon Restoration				
Issue: 11/05, Maturity 11/06, Rate 4.00%	75,000	0	(75,000)	0
2001 Lagoon Restoration				
Issue: 11/06, Maturity 11/07, Rate 4.00%	0	56,250	0	56,250
2005 Water System Improvements				
Issue: 11/05, Maturity 11/06, Rate 4.00%	130,000	0	(130,000)	0
2005 Water System Improvements				
Issue: 11/06, Maturity 11/07, Rate 4.00%	0	36,000	0	36,000
Total Water	<u>949,590</u>	<u>715,310</u>	<u>(949,590)</u>	<u>715,310</u>
<b>Electric Fund</b>				
2003 Broadband Communications				
Issue: 10/05, Maturity 10/06, Rate 4.00%	104,765	0	(104,765)	0
2003 Broadband Communications				
Issue: 10/06, Maturity 10/07, Rate 4.00%	0	87,304	0	87,304
2004 Broadband Communications				
Issue: 10/05, Maturity 10/06, Rate 4.00%	149,625	0	(149,625)	0
2004 Broadband Communications				
Issue: 10/06, Maturity 10/07, Rate 4.00%	0	128,250	0	128,250
2005 Broadband Communitcations				
Issue: 11/05, Maturity 11/06, Rate 4.00%	172,000	0	(172,000)	0
2005 Broadband Communications				
Issue: 11/06, Maturity 11/07, Rate 4.00%	0	150,500	0	150,500
2006 Broadband Communications				
Issue: 11/06, Maturity 11/07, Rate 4.50%	0	145,000	0	145,000
2006 Broadband Communications Digital				
Issue: 11/06, Maturity 11/07, Rate 4.50%	0	256,000	0	256,000
2006 Valleyview Sub Improvements				
Issue: 11/05, Maturity 11/06, Rate 4.50%	0	267,500	0	267,500
2005 Delivery Point Transformer				
Issue: 11/05, Maturity 11/06, Rate 4.00%	554,500	0	(554,500)	0
2005 Delivery Point Transformer				
Issue: 11/06, Maturity 11/07, Rate 4.00%	0	517,533	0	517,533
Total Electric	<u>980,890</u>	<u>1,552,087</u>	<u>(980,890)</u>	<u>1,552,087</u>

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	Balance 01/01/06	Additions	Deletions	Balance 12/31/06
<b>All Other Enterprise Funds</b>				
<b>Sanitation</b>				
2001 Sanitation Equipment Acquisition Issue: 10/05, Maturity 10/06, Rate 4.00%	157,500	0	(157,500)	0
2001 Sanitation Equipment Acquisition Issue: 10/06, Maturity 10/07, Rate 4.00%	0	118,125	0	118,125
2006 Transfer Station Improvements Issue: 10/06, Maturity 10/07, Rate 4.50%	0	270,000	0	270,000
<b>Telecom</b>				
1996 Cable TV Headend Issue: 03/05, Maturity 03/06, Rate 4.00%	90,550	0	(90,550)	0
Total All Other Enterprise Funds	<u>248,050</u>	<u>388,125</u>	<u>(248,050)</u>	<u>388,125</u>
<b>Total Proprietary Funds</b>	<u><u>\$2,178,530</u></u>	<u><u>\$2,655,522</u></u>	<u><u>(\$2,178,530)</u></u>	<u><u>\$2,655,522</u></u>

The following is a summary of interfund notes, outstanding at December 31, 2006:

Receivable Funds								
	General Fund	Income Tax Fund	Non-Major Governmental Funds	Sewer Fund	Water Fund	Electric Fund	All Other Enterprise Funds	Total Interfund Notes Payable
Payable Funds:								
Governmental Funds:								
Non-Major								
Governmental Funds:	<u>\$67,068</u>	<u>\$225,792</u>	<u>\$222,396</u>	<u>\$73,824</u>	<u>\$73,824</u>	<u>\$276,840</u>	<u>\$18,456</u>	<u>\$958,200</u>
Receivable Funds								
	General Fund	Income Tax Fund	Non-Major Governmental Funds	Sewer Fund	Water Fund	Electric Fund	All Other Enterprise Funds	Total Interfund Notes Payable
Payable Funds:								
Proprietary Funds:								
Water Fund	\$198,453	\$38,421	\$179,880	\$59,711	\$0	\$223,917	\$14,928	\$715,310
Electric Fund	558,908	108,206	506,600	168,166	168,166	0	42,041	1,552,087
All Other Enterprise Funds	<u>99,384</u>	<u>19,241</u>	<u>90,082</u>	<u>29,903</u>	<u>29,903</u>	<u>112,136</u>	<u>7,476</u>	<u>388,125</u>
Total Proprietary Funds	856,745	165,868	776,562	257,780	198,069	336,053	64,445	2,655,522
Total Interfund Notes Receivable	<u>\$923,813</u>	<u>\$391,660</u>	<u>\$998,958</u>	<u>\$331,604</u>	<u>\$271,893</u>	<u>\$612,893</u>	<u>\$82,901</u>	<u>\$3,613,722</u>

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The following is a detail of Interfund Bonds Receivable/Payable, by debt issue during 2006:

	<u>Balance</u> <u>01/01/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/06</u>
<b>Governmental Activities:</b>				
2001 Sidewalk Improvement				
Issue: 09/04, Maturity 09/07, Rate 4.00%	\$8,921	\$0	(\$2,101)	\$6,820
1993 Great Oaks Extension				
Issue: 09/94, Maturity 09/14, Rate 8300%	174,933	0	(14,604)	160,329
Grandview Improvement				
Issue: 09/91, Maturity 09/06, Rate 7.00%	12,605	0	(12,605)	0
2002 Sidewalk Improvement				
Issue: 09/04, Maturity 09/09, Rate 4.00%	10,315	0	(2,429)	7,886
1994 Seville Road Sanitary Sewer				
Issue: 07/94, Maturity 07/09, Rate 7.00%	2,586	0	(582)	2,004
1997 Rittman Road Waterline				
Issue: 07/97, Maturity 07/12, Rate 6.50%	15,007	0	(1,761)	13,246
1998 Silvercrest Waterline				
Issue: 10/98, Maturity 10/13, Rate 6.00%	40,660	0	(4,108)	36,552
1998 Silvercrest Sewer				
Issue: 08/99, Maturity 08/14, Rate 6.00%	50,251	0	(4,373)	45,878
1999 Mechanic Street				
Issue: 08/99, Maturity 08/04, Rate 6.00%	26,544	0	(6,068)	20,476
2000 Grace Drive Sanitary Sewer				
Issue 09/00, Maturity 09/15, Rate 8.00%	4,368	0	(302)	4,066
1999 Sidewalk Program				
Issue 08/01, Maturity 08/06, Rate 6.00%	1,809	0	(1,809)	0
2001 Street Improvement				
Issue 09/02, Maturity 09/07, Rate 4.00%	2,765	0	(1,355)	1,410
2000 Street Improvement				
Issue 08/01, Maturity 08/06, Rate 6.00%	2,147	0	(2,147)	0
Southeast Downtown				
Issue 08/01, Maturity 08/11, Rate 6.00%	17,890	0	(2,565)	15,325
2001 Sidewalk Improvement				
Issue 09/02, Maturity 09/07, Rate 4.00%	3,275	0	(1,605)	1,670
2000 Sidewalk Improvement				
Issue 08/01, Maturity 08/06, Rate 6.00%	869	0	(869)	0
2002 Sidewalk Improvement				
Issue: 09/03, Maturity 09/08, Rate 3.00%	4,090	0	(1,323)	2,767
2004 Sidewalk Improvement				
Issue: 09/06, Maturity 09/011, Rate 4.50%	0	8,591	0	8,591
2004 Street Program				
Issue: 9/05, Maturity 9/10, Rate 4.00%	1,243	0	(230)	1,013
2005 Street Program				
Issue: 9/06, Maturity 9/11, Rate 4.50%	0	15,428	0	15,428
<b>Total Governmental Activities</b>	<u>\$380,278</u>	<u>\$24,019</u>	<u>(\$60,836)</u>	<u>\$343,461</u>

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Interfund transfers for the year ended December 31, 2006 consisted of the following:

	Transfers In:		
	General Fund	Non-Major Governmental Funds	Total Transfers Out
Transfers Out:			
Income Tax Fund	\$3,400,000	\$1,886,000	\$5,286,000
Non-Major Governmental Funds	0	59,629	59,629
Total Transfers In	<u>\$3,400,000</u>	<u>\$1,945,629</u>	<u>\$5,345,629</u>

Interfund receivable/payable for the year ended December 31, 2006 consisted of the following:

Payable Fund	Receivable Fund
Non-Major Governmental Funds	General Fund - \$39,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfer from the Debt Service Fund to the Capital Projects fund was created for GAAP reporting purposes to reflect debt payment activity in the Capital Project Fund where the debt liability is accounted for.

**NOTE 20 - RELATED ORGANIZATIONS**

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

**NOTE 21 - JOINT VENTURES**

OMEGA JV 1

The City's electric enterprise fund has entered into an ongoing joint venture agreement with other Ohio municipal electric systems to form the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV 1) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1, were transferred to the municipal electrical systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia and Pennsylvania that own and operate electric systems. Each participant has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The City's equity interest in JV 1 is reported in the City's electric enterprise fund. The City's undivided ownership of OMEGA JV 1 is 11.24%. The City's equity interest was \$65,958 for JV 1 at December 31, 2006. The following is a summary of audited financial information of OMEGA JV 1 for the year ended December 31, 2006:

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	OMEGA JV 1
Total Assets	\$670,068
Total Liabilities	83,249
Participants Equity	586,819
Total Revenues	309,982
Total Expenses	178,584
Excess of Revenue	
Over Expenses	\$131,398

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

**OMEGA JV 2**

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement, each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV 2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006, the City of Wadsworth has met their debt coverage obligations.

OMEGA JV 2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 Megawatt (MW) of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV 2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV 2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV 2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV 2. The City's net obligation for these bonds at December 31, 2006 was \$2,475,836 (including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV 2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV 2 was \$2,434,146 at December 31, 2006. Complete financial statements for OMEGA JV 2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).



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

	Principal	Interest	Total Debt Service
2007	\$149,627	\$147,053	\$296,680
2008	157,034	139,571	296,605
2009	164,812	131,720	296,532
2010	172,960	123,479	296,439
2011	182,219	114,399	296,618
2012 – 2020	2,122,182	546,585	2,668,767
Total Gross Liability	2,948,834	\$1,202,807	\$4,151,641
Less: Amounts Held in Reserve	(472,998)		
Net Obligation	\$2,475,836		

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

	OMEGA JV 2
Total Assets	\$43,869,945
Total Liabilities	1,974,141
Participants Equity	41,895,804
Total Revenues	2,631,964
Total Expenses	5,115,816
(Deficiency) of Revenue (Under) Expenses	(\$2,483,852)

**OMEGA JV 5**

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV 5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement, each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV 5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006, the City has met their

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debt coverage obligation.

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

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

The City's net investment and its share of operating results of OMEGA JV 5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV 5 was \$607,139 at December 31, 2006. Complete financial statements for OMEGA JV 5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The following is a summary of audited financial information of OMEGA JV 5 for the year ended December 31, 2006:

	OMEGA JV 5
Total Assets	\$173,270,506
Total Liabilities	162,467,315
Participants Equity	10,803,191
Total Revenues	24,338,381
Total Expenses	22,817,173
Excess Revenue Over Expenses	\$1,521,208

**OMEGA JV 6**

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

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

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

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

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credit against the Financing Participant’s respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement, each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006, the City has met their debt coverage obligation.

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

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture’s agent. On July 30, 2004, AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City’s net obligation for these bonds at December 31, 2006 was \$276,973 (Including amount withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City’s net investment and its share of operating results of OMEGA JV6 are reported in the City’s electric fund (an enterprise fund). The City’s net investment to date in OMEGA JV6 was \$305,007 at December 31, 2006. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor’s website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

	Principal	Interest	Total Debt Service
2007	\$22,000	\$11,629	\$33,629
2008	20,000	13,461	33,461
2009	20,000	13,707	33,707
2010	20,000	13,753	33,753
2011	20,000	13,600	33,600
2012 – 2019	194,218	51,611	245,829
Total Gross Liability	296,218	\$117,761	\$413,979
Less: Amounts Held in Reserve	(19,245)		
Net Obligation	\$276,973		

The following is a summary of audited financial information of OMEGA JV 6 for the year ended December 31, 2006:

	OMEGA JV 6
Total Assets	\$9,366,577
Total Liabilities	576,752
Participants Equity	8,789,825
Total Revenues	475,811
Total Expenses	498,994
(Deficiency) of Revenue (Under) Expenses	(\$23,183)

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Woodlawn Union Cemetery

The City is a participant along with Wadsworth Township in a joint venture to establish and manage the Woodlawn Union Cemetery. This establishment is allowable under Ohio Revised Code Section 759.27. This joint venture is considered a separate reporting entity by the City and has not been included in these basic financial statements. Complete financial statements for the Woodlawn Cemetery can be obtained from the Secretary-Treasurer of the Cemetery. Audited financial information for the Cemetery for the year ended December 31, 2006 was as follows:

Total Receipts	\$154,447
Total Disbursements	(\$206,912)
(Deficiency) of Receipts (Under) Disbursements	<u>(\$52,465)</u>

The Cemetery has no outstanding debt.

**NOTE 22 - JOINTLY GOVERNED ORGANIZATION**

Municipal Energy Services Agency (MESA)

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

**NOTE 23 – SEGMENT INFORMATION**

The City maintains two enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. The Sanitation Fund accounts for the charges for services fees collected for residential and commercial trash services provided to City residents. The Telecom Fund accounts for the charges for services fees collected for cable and internet services.

Combined Statement of Net Assets

	<u>Telecom</u>	<u>Sanitation</u>	<u>Total</u>
ASSETS:			
Current Assets	\$729,326	\$835,575	\$1,564,901
Noncurrent Assets:			
Interfund Receivable	0	0	0
Capital Assets	<u>402,142</u>	<u>821,726</u>	<u>1,223,868</u>
Total Assets	1,131,468	1,657,301	2,788,769
LIABILITIES:			
Current Liabilities:			
Current Liabilities:	122,650	563,159	685,809
Noncurrent Liabilities:			
Interfund Payable	0	0	0
Other Noncurrent Liabilities	<u>53,420</u>	<u>101,193</u>	<u>154,613</u>
Total Liabilities	176,070	664,352	840,422
NET ASSETS:			
Invested in Capital Assets, Net of			
Related Debt	402,142	821,726	1,223,868
Unrestricted	553,256	171,223	724,479
Total Net Assets	<u>\$955,398</u>	<u>\$992,949</u>	<u>\$1,948,347</u>

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Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>Telecom</u>	<u>Sanitation</u>	<u>Total</u>
Charges for Services	\$2,025,017	\$1,640,433	\$3,665,450
Depreciation	75,975	145,579	221,554
Other Operating Expenses	1,148,360	1,463,634	2,611,994
Operating Income	<u>800,682</u>	<u>31,220</u>	<u>831,902</u>
Non-Operating Revenues (Expenses)			
Interest	10,497	0	10,497
Interest and Fiscal Charges	<u>(605)</u>	<u>(8,502)</u>	<u>(9,107)</u>
Change in Net Assets	810,574	22,718	833,292
Net Assets at Beginning of Year	<u>144,824</u>	<u>970,231</u>	<u>1,115,055</u>
Net Assets at End of Year	<u><u>\$955,398</u></u>	<u><u>\$992,949</u></u>	<u><u>\$1,948,347</u></u>

Condensed Statement of Cash Flows

	<u>Telecom</u>	<u>Sanitation</u>	<u>Total</u>
Net Cash Provided by (Used for)			
Operating Activities	\$813,073	\$228,230	\$1,041,303
Noncapital Financing Activities	(183,688)	230,625	46,937
Capital and Related Financing Activities	(478,117)	(416,549)	(894,666)
Investing Activities	<u>10,497</u>	<u>0</u>	<u>10,497</u>
Net Increase	161,765	42,306	204,071
Beginning Cash and Cash Equivalents	<u>478,015</u>	<u>485,589</u>	<u>963,604</u>
Ending Cash and Cash Equivalents	<u><u>\$639,780</u></u>	<u><u>\$527,895</u></u>	<u><u>\$1,167,675</u></u>

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

Honorable Mayor, City Auditor,  
and Members of City Council  
City of Wadsworth, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City of Wadsworth, Ohio's basic financial statements and have issued our report thereon dated February 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Wadsworth, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Wadsworth, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Wadsworth, Ohio's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting: **Item 2006-1, Item 2006-2 and Item 2006-4.**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider **Item 2006-4** to be a material weakness.


**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Wadsworth, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are discussed in the accompanying Schedule of Findings and Responses as **Item 2006-1** and **Item 2006-3**.

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

We noted certain matters that we reported to the management of the City of Wadsworth, Ohio, in a separate letter dated February 22, 2008.

This report is intended solely for the information and use of management and members of City Council and is not intended to be and should not be used by anyone other than these specified parties.

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

February 22, 2008

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006**

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**Item 2006-1: Filing of Financial Report**

**Condition and Criteria**

Ohio Revised Code Section 117.38 states that GAAP-basis entities must file annual reports within 150 days of year end. During our review of the City, we noted that the City filed its annual GAAP report on February 8, 2008, which is after the 150 days mandated by Ohio Revised Code Section 117.38.

**Cause**

The City did not file its 2005 GAAP report until the latter part of 2006.

**Effect**

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

**Recommendation**

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

**Corrective Action Plan**

The City will implement this recommendation for the 2007 report.



**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006  
(CONTINUED)**

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**Item 2006-2: Bank Reconciliations**

**Condition and Criteria**

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

**Cause**

The City's finance department has a limited staff.

**Effect**

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

**Recommendations**

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

**Corrective Action Plan**

The City will implement this recommendation in 2008.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006  
(CONTINUED)**

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**Item 2006-3: Appropriations Exceed Estimated Resources**

**Condition and Criteria**

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue. The City's appropriations exceeded estimated resources in the following funds:

	Revenues Plus Carryover <u>Balances</u>	<u>Appropriations</u>	<u>Excess</u>
At February 21, 2006 (original):			
Capital Projects Fund:			
Airport	\$ 422,001	\$ 428,613	\$ (6,612)
At October 16, 2006:			
Special Revenue Fund:			
Recreation	1,056,778	1,058,283	(1,505)

**Cause/Effect**

The failure to limit appropriations to estimated revenue could result in expenditures exceeding available resources.

**Recommendation**

We recommend that the City review estimated resources prior to appropriating the funds in order to be in compliance with Ohio Revised Code Section 5705.39.

**Corrective Action Plan**

The City will monitor appropriations and estimated resources closely to ensure there are no further violations.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006  
(CONTINUED)**

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**Item 2006-4: Capital Assets**

**Condition and Criteria**

During our review of capital assets, we noted that the City is not recording its capital assets, primarily infrastructure, on a timely basis.

**Cause**

The City's engineering department has a limited staff and is behind in updating its capital asset records.

**Effect**

Capital assets need to be materially restated for 2005.

**Recommendation**

We recommend that the City record capital assets in a more timely manner for reporting accuracy and for better control over property and equipment.

**Corrective Action Plan**

The City will monitor capital asset activity closely to ensure that capital assets are properly recorded.

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 STATUS OF PRIOR YEAR FINDINGS  
 FOR THE YEAR ENDED DECEMBER 31, 2006**

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b> _____
2005-001	Ohio Revised Code Section 5705.39 - Appropriations Exceed Estimated Revenues	No	Partially corrected: Reissued as Finding No. 2006-004



**Mary Taylor, CPA**  
Auditor of State

**CITY OF WADSWORTH**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 3, 2008**