

Wadsworth City School District
Medina County, Ohio

Audited Financial Statements

June 30, 2009



Mary Taylor, CPA
Auditor of State

Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the Wadsworth City School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 8, 2010

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**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

JUNE 30, 2009

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**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

JUNE 30, 2009

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 31, 2009

The Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District'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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The discussion and analysis of the Wadsworth City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- General Revenues accounted for \$42.2 million in revenue or 88.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5.5 million or 11.6% of total revenues of \$47.7 million.
- Total program expenses were \$46.1 million in governmental activities.
- In total, net assets of governmental activities increased \$1.6 million which represents a 4.8% increase from 2008.
- Outstanding debt increased from \$29,521,845 to \$38,074,600 as a result of the new 2009 bonds being issued.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as:

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

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Reporting the School District's Most Significant Funds

Fund Financial Statements

The financial statements of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund, and the building fund.

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

Proprietary Funds - The School District maintains a proprietary fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an Internal Service Fund to account for its health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 18.

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

The fiduciary fund financial statements begin on page 21.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

(Table 1)
Changes in Net Assets

	Governmental Activities	
	2009	Restated 2008
Assets		
Current and Other Assets	\$ 55,563,444	\$ 36,153,994
Capital Assets	55,791,125	53,736,833
Total Assets	111,354,569	89,890,827
Liabilities		
Long-Term Liabilities	42,893,525	34,005,225
Other Liabilities	33,901,949	22,923,591
Total Liabilities	76,795,474	56,928,816
Net Assets		
Invested in Capital		
Assets Net of Debt	31,704,939	29,830,200
Restricted	13,106,502	3,725,152
Unrestricted (Deficit)	(10,252,346)	(593,341)
Total Net Assets	\$ 34,559,095	\$ 32,962,011

Total assets increased by \$21,463,742. This increase was primarily the result of cash on hand at year end. The School District issued \$9.6 million in Bond Anticipation Notes in December, 2008 for construction costs. Then on June 29, 2009, the School District issued Long Term Bonds in the amount of \$9.6 million to retire the Bond Anticipation Notes. At year end, the Bond Anticipation Notes had not yet been retired, resulting in a large amount of cash on hand at year end.

Total liabilities increased \$19,866,658. This increase was primarily the result of the debt issuances described above.

As a result of the above, overall net assets of the School District increased \$1,597,084, or 4.8% compared to fiscal year 2008.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 2 shows the changes in net assets for fiscal year 2009 compared to 2008:

(Table 2)
Governmental Activities

	2009	Restated 2008
<i>Revenues:</i>		
Charges for Services	\$ 2,496,032	\$ 2,374,195
Operating Grants	3,060,311	3,281,855
<i>General Revenues:</i>		
Property Taxes	20,727,091	18,349,241
Unrestricted donation of land	70,000	0
Grants and entitlements, not restricted	19,268,394	17,673,723
Capital grants not restricted to specific programs	1,566,587	1,160,629
Other	549,486	1,212,286
<i>Total Revenues</i>	47,737,901	44,051,929
<i>Program Expenses:</i>		
Instruction	25,051,520	22,229,876
Support Services	16,191,338	16,886,238
Operation of Non-Instructional	355,691	374,598
Extracurricular Activities	1,037,356	1,033,970
Interest and Fiscal Charges	1,933,368	1,526,080
Food Service	1,364,934	1,447,428
Uniform School Supplies	0	26,073
Vocational Education	143,052	129,913
Bear Cub Academy	63,558	100,390
<i>Total Expenses</i>	46,140,817	43,754,566
 Increase in Net Assets	 \$ 1,597,084	 \$ 297,363

A review of Table 2 reflects total revenues of \$47,737,901, which was an increase of \$4,500,429, as compared to 2008. The majority of the increase was in property taxes, capital grants not restricted, and grants and entitlements not restricted, which increased by \$4,378,479 in total.

Total expenses increased \$2,386,251, primarily within the instruction program. These increases were the result of negotiated wage increases.

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$47.7 million and expenditures of \$46.1 million.

(Table 3)
Governmental Activities

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 25,051,520	\$ 22,797,071	\$ 22,229,876	\$ 19,744,272
Support Services:				
Pupil and Instructional Staff	3,905,183	3,330,362	3,640,323	2,957,479
Board of Education, Administration, Fiscal and Business	4,587,156	4,160,968	4,242,626	3,771,617
Operation and Maintenance of Plant	5,018,508	4,910,417	6,426,629	6,343,587
Pupil Transportation	1,700,154	1,660,523	1,604,402	1,575,233
Central	980,337	931,427	972,258	931,568
Operation of Non-Instructional	355,691	47,210	374,598	75,068
Food Services	1,364,934	(25,628)	1,447,428	37,261
Uniform School Supplies	0	0	26,073	(79)
Vocational Educational	143,052	141,516	129,913	129,913
Bear Cub Academy	63,558	8,191	100,390	(10,511)
Extracurricular Activities	1,037,356	689,049	1,033,970	670,846
Interest and Fiscal Charges	1,933,368	1,933,368	1,526,080	1,526,080
	<u>\$ 46,140,817</u>	<u>\$ 40,584,474</u>	<u>\$ 43,754,566</u>	<u>\$ 37,752,334</u>
Total Expenses	<u>\$ 46,140,817</u>	<u>\$ 40,584,474</u>	<u>\$ 43,754,566</u>	<u>\$ 37,752,334</u>

Instruction and student support services comprise 74.8% of governmental program expenses. Interest/fiscal charges were 4.2%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of plant accounts for 14.6% of governmental program expenses.

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

The School District's Funds

The fund financial statements for the School District's major funds start on page 13. The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue \$47,994,098 and total expenditures of \$49,034,497. The net change in fund balance for the fiscal year was most significant in the debt service fund. The debt service fund increase was primarily caused by the issuance of new debt. The general fund balance decreased \$881,748 during the fiscal year. This decrease was primarily attributed to annual salary increases without sufficient increase in revenue base to offset. The building fund balance decreased \$2,402,937 as costs

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

associated with the new Ohio School Facilities Commission projects began, however paid for with short term bond anticipation notes.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, the final budget basis revenue increased \$305,079 from the original budget estimates of approximately \$36.6 million. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$36.9 million were equal to final budgeted amounts.

Final expenditures of \$38.5 million were equal to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$55.8 million invested in land, land improvements, buildings and improvements, furniture and fixtures, vehicles, and textbooks, infrastructure and construction in progress. Table 4 shows fiscal year 2009 balances compared with 2008.

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

	Governmental Activities	
	2009	Restated 2008
	<u>2009</u>	<u>2008</u>
Land	\$ 1,181,437	\$ 1,111,437
Land Improvements	2,039,378	1,038,184
Buildings and Improvements	45,659,622	46,790,333
Furniture and Fixtures	3,155,520	3,249,566
Vehicles	1,114,872	992,284
Textbooks	262,302	352,909
Infrastructure	76,701	0
Construction in Progress	2,301,293	202,120
	<u>\$ 55,791,125</u>	<u>\$ 53,736,833</u>

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The \$2,054,292 increase in capital assets was primarily attributable to additional purchases and construction in projects exceeding depreciation in the current period. See Note 10 to the basic financial statements for detail of the School District's capital assets.

Ohio law required school district's to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2009, this amounted to \$761,207 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks. See Note 22 for additional information.

Debt

At June 30, 2009, the School District had \$38,074,600 in outstanding debt with \$1,715,000 due within one year. Table 5 summarizes bonds and notes outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2009	Governmental Activities 2008
General Obligation Bonds:		
1998 School Improvements	\$ 1,745,000	\$ 1,745,000
1999 School Improvements	1,095,000	1,555,000
2000 School Improvements	100,000	200,000
2001 Library Improvements	3,545,006	3,790,006
2006 School Improvements (Refunding)	8,450,000	8,555,000
2007 School Improvements (Refunding)	8,250,000	8,350,000
2009 Series BQ Bonds	9,490,000	0
Capital Appreciation Bonds (All bonds)	2,529,968	2,556,237
Accretion on CAB'S (All bonds)	1,570,552	1,613,935
Premium (All bonds)	1,290,134	979,355
Refunding Loss (All bonds)	(591,060)	(633,278)
Energy Conservation Improvements	600,000	700,000
HB 264 Series	0	110,590
	\$ 38,074,600	\$ 29,521,845
Totals	\$ 38,074,600	\$ 29,521,845

See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues

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

Wadsworth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

Thus, School District's dependence upon property taxes is hampered by a lack of revenue growth, and must regularly return to the voters to maintain a constant level of service. Property taxes made up 43.5% of revenues for governmental activities for the School District in fiscal year 2009.

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

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

The School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. The School District remains concerned about the future of revenue from state and local sources. The recent passage of House Bill 1 that states biennial budget for fiscal years 2010 and 2011 shows no growth from state sources and new mandates from the "Evidence Based Model" such as smaller class size and all day kindergarten.

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

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

Contacting the Wadsworth City School District's Financial Management

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

Wadsworth City School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$ 33,726,866
Receivables:	
Property Tax	20,211,296
Accounts	14,436
Accrued Interest	3,031
Intergovernmental	1,286,610
Deferred Charges	321,205
Nondepreciable Capital Assets	3,482,730
Depreciable Capital Assets (Net)	<u>52,308,395</u>
<i>Total Assets</i>	<u>111,354,569</u>
Liabilities:	
Accounts Payable	143,798
Contracts Payable	868,554
Accrued Wages and Benefits	3,713,526
Vacation Benefits Payable	176,833
Matured Compensated Absences Payable	180,480
Matured Interest Payable	102,567
Accrued Interest Payable	130,784
Intergovernmental Payable	1,093,072
Deferred Revenue	17,749,409
Notes Payable	9,600,000
Claims Payable	142,926
Long Term Liabilities:	
Due Within One Year	1,813,311
Due In More Than One Year	<u>41,080,214</u>
<i>Total Liabilities</i>	<u>76,795,474</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	31,704,939
Restricted for:	
Capital Projects	44,348
Debt Service	12,519,671
Other Purposes	542,483
Unrestricted	<u>(10,252,346)</u>
<i>Total Net Assets</i>	<u>\$ 34,559,095</u>

See accompanying notes to the basic financials statements.

Wadsworth City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 19,284,106	\$ 457,868	\$ 178,515	\$ (18,647,723)
Special	2,954,770	53,125	1,367,839	(1,533,806)
Vocational	1,755,828	35,018	111,030	(1,609,780)
Adult Continuing	33,522	29,361	0	(4,161)
Other	1,023,294	21,693	0	(1,001,601)
Support Services:				
Pupils	2,615,041	47,242	317,658	(2,250,141)
Instructional Staff	1,290,142	23,464	186,457	(1,080,221)
Board of Education	326,611	6,921	0	(319,690)
Administration	3,478,245	259,691	144,292	(3,074,262)
Fiscal	781,328	15,263	0	(766,065)
Business	972	21	0	(951)
Operation and Maintenance of Plant	5,018,508	103,873	4,218	(4,910,417)
Pupil Transportation	1,700,154	36,195	3,436	(1,660,523)
Central	980,337	24,819	24,091	(931,427)
Operation of Non-Instructional Services	355,691	5,030	303,451	(47,210)
Food Service Operations	1,364,934	973,342	417,220	25,628
Vocational Education Customer Services	143,052	0	1,536	(141,516)
Bear Cub Academy	63,558	55,367	0	(8,191)
Extracurricular Activities	1,037,356	347,739	568	(689,049)
Interest and Fiscal Charges	1,933,368	0	0	(1,933,368)
<i>Total Governmental Activities</i>	<u>\$ 46,140,817</u>	<u>\$ 2,496,032</u>	<u>\$ 3,060,311</u>	<u>(40,584,474)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				17,219,717
Debt Service				3,496,759
Capital Outlay				10,615
Unrestricted Donation of Land				70,000
Grants and Entitlements not Restricted to Specific Programs				19,268,394
Capital Grants not Restricted to Specific Programs				1,566,587
Investment Earnings				239,571
Miscellaneous				309,915
Total General Revenues				42,181,558
Change in Net Assets				1,597,084
Net Assets Beginning of Year, Restated				32,962,011
Net Assets End of Year				<u>\$ 34,559,095</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$ 10,112,611	\$ 12,060,429	\$ 8,162,686	\$ 2,134,013	\$ 32,469,739
Receivables:					
Property Tax	15,840,900	4,272,954	0	97,442	20,211,296
Accounts	13,348	0	0	1,088	14,436
Interfund	16,403	0	0	0	16,403
Accrued Interest	2,552	0	479	0	3,031
Intergovernmental	39,217	0	0	1,247,393	1,286,610
<i>Total Assets</i>	<u>\$ 26,025,031</u>	<u>\$ 16,333,383</u>	<u>\$ 8,163,165</u>	<u>\$ 3,479,936</u>	<u>\$ 54,001,515</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	\$ 130,432	\$ 0	\$ 0	\$ 12,768	\$ 143,200
Contracts Payable	5,019	0	863,535	0	868,554
Accrued Wages and Benefits	3,555,122	0	0	158,404	3,713,526
Matured Compensated Absences Payable	180,480	0	0	0	180,480
Matured Interest Payable	0	0	102,567	0	102,567
Interfund Payable	0	0	0	16,403	16,403
Intergovernmental Payable	1,024,154	0	0	68,918	1,093,072
Deferred Revenue	14,481,961	3,951,606	0	1,000,696	19,434,263
Notes Payable	0	0	9,600,000	0	9,600,000
<i>Total Liabilities</i>	19,377,168	3,951,606	10,566,102	1,257,189	35,152,065
Fund Balances:					
Reserved for Encumbrances	535,976	0	2,126,962	302,152	2,965,090
Reserved for Tax Revenue Unavailable for Appropriation	1,390,300	321,348	0	11,024	1,722,672
Unreserved:					
Undesignated, Unreserved Reported in:					
General Fund	4,721,587	0	0	0	4,721,587
Special Revenue Funds	0	0	0	409,575	409,575
Debt Service Fund	0	12,060,429	0	0	12,060,429
Capital Projects Funds	0	0	(4,529,899)	1,499,996	(3,029,903)
<i>Total Fund Balances</i>	<u>6,647,863</u>	<u>12,381,777</u>	<u>(2,402,937)</u>	<u>2,222,747</u>	<u>18,849,450</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 26,025,031</u>	<u>\$ 16,333,383</u>	<u>\$ 8,163,165</u>	<u>\$ 3,479,936</u>	<u>\$ 54,001,515</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities*
 June 30, 2009

Total Governmental Fund Balances	\$	18,849,450
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*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.		55,791,125
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 42,342	
Sales Tax	871,936	
Excess Costs	31,361	
Delinquent Property Taxes	739,215	1,684,854

Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.		321,205
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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.		1,113,603
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported		
General Obligation Bonds	(38,074,600)	
Vacation Benefits Payable	(176,833)	
Accrued Interest Payable	(130,784)	
Compensated Absences	(4,818,925)	(43,201,142)

Net Assets of Governmental Activities	\$	34,559,095
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See accompanying notes to the basic financials statements.

Wadsworth City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 17,107,577	\$ 3,425,068	\$ 0	\$ 8,757	\$ 20,541,402
Intergovernmental	19,721,407	458,041	0	4,288,528	24,467,976
Investment Income	210,755	0	21,367	7,449	239,571
Tuition and Fees	748,890	0	0	135,253	884,143
Extracurricular Activities	1,740	0	0	526,419	528,159
Rentals	31,800	0	0	0	31,800
Charges for Services	14,676	0	0	1,005,544	1,020,220
Miscellaneous	75,739	0	0	205,088	280,827
<i>Total Revenues</i>	37,912,584	3,883,109	21,367	6,177,038	47,994,098
Expenditures:					
Current:					
Instruction:					
Regular	17,676,299	0	0	280,087	17,956,386
Special	2,494,713	0	0	456,009	2,950,722
Vocational	1,651,787	0	0	109,094	1,760,881
Adult Continuing	0	0	0	33,522	33,522
Other	1,020,269	0	0	0	1,020,269
Support Services:					
Pupils	2,205,713	0	0	343,450	2,549,163
Instructional Staff	1,093,920	0	0	178,552	1,272,472
Board of Education	326,454	0	0	0	326,454
Administration	3,024,632	0	0	341,394	3,366,026
Fiscal	695,806	59,159	0	0	754,965
Business	972	0	0	0	972
Operation and Maintenance of Plant	4,592,994	0	0	536,568	5,129,562
Pupil Transportation	1,685,135	0	0	175,806	1,860,941
Central	1,156,346	0	0	24,135	1,180,481
Operation of Non-Instructional Services	0	0	0	357,523	357,523
Food Service Operations	0	0	0	1,342,310	1,342,310
Vocational Education Customer Services	0	0	0	143,052	143,052
Bear Cub Academy	0	0	0	63,558	63,558
Extracurricular Activities	678,130	0	0	324,803	1,002,933
Capital Outlay	264,801	0	2,321,737	159,850	2,746,388
Debt Service:					
Principal Retirement	0	1,356,854	0	0	1,356,854
Interest and Fiscal Charges	0	1,756,496	102,567	0	1,859,063
<i>Total Expenditures</i>	38,567,971	3,172,509	2,424,304	4,869,713	49,034,497
<i>Excess of Revenues Over (Under) Expenditures</i>	(655,387)	710,600	(2,402,937)	1,307,325	(1,040,399)
Other Financing Sources (Uses):					
Proceeds from Bond Issuance	0	9,599,995	0	0	9,599,995
Premium on Debt Issuance	0	389,037	0	0	389,037
Proceeds From Sales of Capital Assets	29,088	0	0	349	29,437
Transfers In	0	249,154	0	6,295	255,449
Transfers Out	(255,449)	0	0	0	(255,449)
<i>Total Financing Sources and (Uses)</i>	(226,361)	10,238,186	0	6,644	10,018,469
<i>Net Change in Fund Balance</i>	(881,748)	10,948,786	(2,402,937)	1,313,969	8,978,070
<i>Fund Balance (Deficit) at Beginning of Year</i>	7,529,611	1,432,991	0	908,778	9,871,380
<i>Fund Balance (Deficit) at End of Year</i>	\$ 6,647,863	\$ 12,381,777	\$ (2,402,937)	\$ 2,222,747	\$ 18,849,450

See accompanying notes to the basic financial statements.

Wadsworth City School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 8,978,070

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 additions exceeded depreciation in the current period.

Capital Asset Additions	\$ 4,300,616	
Current Year Depreciation	(2,231,615)	2,069,001

Net effect of transactions involving sale of capital assets are not reflected in the funds. (14,709)

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

County Grant Sales Tax	57,489	
Grants	(630,173)	
Excess Costs	31,361	
Delinquent Property Taxes	<u>185,689</u>	(355,634)

Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortize in the statement of activities. (22,944)

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

Bond Principal	1,356,854	
Accreted Interest	<u>418,736</u>	1,775,590

The issuance of bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are not reflected in the statement of net assets as long-term assets and liabilities.

Proceeds of Bonds	(9,599,995)	
Premium on New Bonds	<u>(389,037)</u>	(9,989,032)

Add difference between interest payable which is recorded in net assets and interest paid which is recorded in governmental funds. (130,784)

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

Vacation Benefits Payable	(176,833)	
Compensated Absences	(335,545)	
Bond Accretion	(375,353)	
Amortization of Bond Premium	78,258	
Amortization of Refunding Loss	<u>(42,218)</u>	(851,691)

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

139,217

Change in Net Assets of Governmental Activities \$ 1,597,084

See accompanying notes to the basic financials statements.

Wadsworth City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 15,730,905	\$ 16,111,196	\$ 16,111,196	\$ 0
Intergovernmental	19,792,782	19,721,407	19,721,407	0
Investment Income	238,894	238,033	238,033	0
Tuition and Fees	742,218	739,541	739,541	0
Miscellaneous	82,880	82,581	82,581	0
<i>Total Revenues</i>	<u>36,587,679</u>	<u>36,892,758</u>	<u>36,892,758</u>	<u>0</u>
Expenditures:				
Current				
Instruction				
Regular	17,640,563	17,331,231	17,505,556	(174,325)
Special	2,457,958	2,414,856	2,443,440	(28,584)
Vocational	1,738,422	1,708,400	1,701,933	6,467
Other	1,025,857	1,007,748	1,026,594	(18,846)
Support Services				
Pupils	2,218,963	2,180,331	2,190,024	(9,693)
Instructional Staff	1,099,304	1,080,176	1,084,372	(4,196)
Board of Education	349,224	343,249	338,729	4,520
Administration	3,086,285	3,032,112	3,071,058	(38,946)
Fiscal	701,006	688,655	700,183	(11,528)
Business	971	954	972	(18)
Operation and Maintenance of Plant	4,644,565	4,560,821	4,504,562	56,259
Pupil Transportation	1,774,345	1,744,089	1,715,181	28,908
Central	1,337,178	1,314,720	1,273,116	41,604
Extracurricular Activities	668,367	656,585	667,927	(11,342)
Capital Outlay	431,722	427,007	267,287	159,720
<i>Total Expenditures</i>	<u>39,174,730</u>	<u>38,490,934</u>	<u>38,490,934</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(2,587,051)	(1,598,176)	(1,598,176)	0
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	29,193	29,088	29,088	0
Refund of Prior Year Expenditures	28,569	28,466	28,466	0
Advances In	507,645	505,814	505,814	0
Advances Out	(16,391)	(16,403)	(16,403)	0
Transfers Out	(255,440)	(255,449)	(255,449)	0
<i>Total Other Financing Sources (Uses)</i>	<u>293,576</u>	<u>291,516</u>	<u>291,516</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,293,475)	(1,306,660)	(1,306,660)	0
<i>Fund Balance (Deficit) at Beginning of Year</i>	10,040,502	10,040,502	10,040,502	0
Prior Year Encumbrances Appropriated	711,615	711,615	711,615	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 8,458,642</u>	<u>\$ 9,445,457</u>	<u>\$ 9,445,457</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009

	Governmental Activities Internal Service Fund
Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 1,257,127
Liabilities:	
Current Liabilities:	
Accounts Payable	598
Claims Payable	142,926
<i>Total Current Liabilities</i>	143,524
Net Assets:	
Unrestricted	1,113,603
<i>Total Net Assets</i>	\$ 1,113,603

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
<hr/>	
Operating Revenues:	
Charges for Services	\$ 3,878,108
	<hr/>
Operating Expenses:	
Claims	3,738,891
	<hr/>
<i>Change in Net Assets</i>	139,217
<i>Net Assets Beginning of Year</i>	974,386
	<hr/>
<i>Net Assets End of Year</i>	\$ 1,113,603
	<hr/> <hr/>

See accompanying notes to the basic financials statements.

Wadsworth City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
<hr/>	
Cash Flows From Operating Activities:	
Cash Received from Service Charges	\$ 3,878,108
Cash Paid for Goods and Services	(1,902)
Cash Paid for Claims	(3,798,524)
	<hr/>
<i>Net Cash Provided By (Used For) Operating Activities</i>	77,682
	<hr/>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	77,682
	<hr/>
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,179,445
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 1,257,127
	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 139,217
Adjustments:	
Increase (Decrease) in Liabilities	
Accounts Payable	(1,902)
Claims Payable	(59,633)
	<hr/>
<i>Total Adjustments</i>	(61,535)
	<hr/>
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 77,682
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Wadsworth City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$ 119,032
Accounts Receivable	<u>174,513</u>
<i>Total Assets</i>	<u><u>\$ 293,545</u></u>
Liabilities:	
Accrued Wages	\$ 11,662
Intergovernmental Payable	4,600
Undistributed Monies	<u>277,283</u>
<i>Total Liabilities</i>	<u><u>\$ 293,545</u></u>

See accompanying notes to the basic financials statements.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The Wadsworth City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's eight instructional/support facilities staffed by 240 non-certificated employees and 307 certificated full-time teaching personnel who provide services to 4,636 students and other community members.

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

Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. Management has determined the School District has no component units.

On this basis, the basic financial statements include all of the funds of the School District over which the Board of Education exercises operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities and its internal service fund provided they do not conflict with or contradict GASB pronouncements.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

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

Building Fund The Building fund is used to account for special bond funds in the School District. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

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

Internal Service Fund The Internal Service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only Internal Service fund accounts for a self-insurance program for employee medical, dental, and prescription drug benefits.

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund. The School District's agency funds accounts for student activities and the Four Cities Educational Compact as shown in Note 18.

C. Measurement Focus

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

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

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

Fiduciary funds are reported using the economic resources management focus and are excluded from the government-wide financial statements.

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Investments

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

During fiscal year 2009, the School District had investments in STAROhio, (the State Treasurer's Investment Pool) and a repurchase account, and other investments. See Note 7 for a full listing of the School District's investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as overnight repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

For presentation on the financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$210,755, which includes \$102,568 from other School District funds.

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

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capital asset policy is to tag all items over \$5,000 and other items controlled by management. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	39 Years
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	13 Years
Textbooks	5 Years
Infrastructure	5 Years

G. Compensated Absences

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

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid.

H. Accrued Liabilities and Long-term Obligations

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

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

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include food service operations, non-instructional services, instructions of students and extracurricular activities.

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

There were no net assets restricted for enabling legislation for fiscal year ending June 30, 2009.

J. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

L. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated.

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

N. Estimates

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

O. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009.

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

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year end are reported as a

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*”, GASB Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, and GASB Statement No. 56, “*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

NOTE 4 – RESTATEMENT OF NET ASSETS

It has been determined that in the prior year, an insufficient amount of receivables were recorded in relation to the amount of a grant awarded by Medina County, Ohio related to their sales tax levy (see Note 9 for further details). Also, several buildings of the School District were reported as being fully depreciated, although the useful lives of the buildings have not yet been met. As a result, the beginning net asset balance was restated in the current year as follows:

Net Asset Balance June 30, 2008	\$ 21,586,978
Increase in Capital Assets	10,560,586
Increase in Receivables	<u>814,447</u>
Net Asset Balance July 1, 2008	<u><u>\$ 32,962,011</u></u>

There is no effect on fund balance as this receivable amount was not received within the available period, thus would have been offset to deferred revenue.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 – FUND DEFICITS

Fund balances at June 30, 2009 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
Major Fund:	
Permanent Improvement Fund	\$ 2,402,937
Nonmajor Governmental Funds:	
IDEA Part B	55,114
Carl Perkins Compact	11,220
Title I	12,172
Improving Teacher Quality	17,576
Miscellaneous Federal Grants	1,403

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

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. 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 statement to the budgetary basis statement on a fund type basis for the general fund.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (881,748)
Net Adjustment for Revenue Accruals	(991,359)
Advances In	505,814
Advances Out	(16,403)
Net Adjustment for Expenditure Accruals	743,444
Adjustment for Encumbrances	(666,408)
Budget Basis	<u>\$ (1,306,660)</u>

NOTE 7 – DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. 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 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand At year end, the School District had \$7,316 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and investments.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$15,288,302 and the bank balance was \$15,538,344. Of the bank balance:

1. \$5,659,079 of the bank balance was covered by federal depository insurance; and
2. \$9,879,265 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Wadsworth City School District
Notes to the Basic Financial Statements
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Investments – Investments are reported at fair value. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments are reported at fair value. As of June 30, 2009, the School District had the following investments:

Rating by Moody's	Entity	Fair Value	Investment Maturities		Percentage of Total Investment
			In Months (0-6)	In Months (7-12)	
AA	Repurchase agreement	\$ 4,039,746	\$ 4,039,746	\$ 0	21.77%
AAAm**	STAROhio	7,510,534	7,510,534	0	40.49%
Aaa	Investment Porfolio NCB	7,000,000	5,000,000	2,000,000	37.74%
		<u>\$ 18,550,280</u>	<u>\$ 16,550,280</u>	<u>\$ 2,000,000</u>	<u>100.00%</u>

** Rated by Standard and Poor's

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk – The School District's investment credit ratings are summarized above. The School District's investments in federal agency securities that underlie the repurchase agreement were rated AA by Moody's Investor Services.

Concentration of Credit Risk –The School District places no limit on the amount the School District may invest in any one issuer. See percentage's above.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 8 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, 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 alternate payment dates to be established.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2009 on the value as of December 31, 2008. For 2009, tangible personal property is assessed at 6.25 % of true value for property including inventory. This percentage will be reduced to zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Medina County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$1,390,300 in the General Fund, \$321,348 in the Bond Retirement Debt Service Fund, and \$11,024 in the Permanent Improvement Fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred since it has not been received within the available period.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 646,981,760	95.35%	\$ 650,811,860	97.21%
Public Utility	26,250	0.00%	25,970	0.00%
Tangible Personal Property	31,547,850	4.65%	18,706,394	2.79%
	<u>\$ 678,555,860</u>	<u>100.00%</u>	<u>\$ 669,544,224</u>	<u>100.00%</u>
 Tax rate per \$1,000 assessed valuation	 \$ 48.83		 \$ 49.68	

NOTE 9 – RECEIVABLES

Receivables at June 30, 2009, consisted of taxes, interest, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of the Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2009 county appropriations yet to be received as of June 30, 2009.

Intergovernmental receivables as of June 30, 2009:

Governmental Activities:	
Carl Perkins Grant	\$ 16,988
Title I	5,182
Title II-A	15,752
Title II-D	1,403
Title V	3,017
Excess Costs	39,217
Sales Tax	1,205,051
	<u>\$ 1,286,610</u>

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,111,437	\$ 70,000	\$ 0	\$ 1,181,437
Construction in progress	202,120	2,125,102	(25,929)	2,301,293
<i>Total Capital Assets, not being depreciated:</i>	<u>1,313,557</u>	<u>2,195,102</u>	<u>(25,929)</u>	<u>3,482,730</u>
<i>Capital Assets, being depreciated:</i>				
Land improvements	1,826,719	1,117,493	0	2,944,212
Buildings and improvements	53,607,517	127,806	0	53,735,323
Furniture and equipment	9,902,802	449,258	(35,496)	10,316,564
Vehicles	2,359,346	305,553	(166,355)	2,498,544
Infrastructure	0	131,333	0	131,333
Textbooks	1,773,632	0	0	1,773,632
Total Capital Assets, being depreciated	<u>69,470,016</u>	<u>2,131,443</u>	<u>(201,851)</u>	<u>71,399,608</u>
Less Accumulated Depreciation:				
Land improvements	(788,535)	(116,299)	0	(904,834)
Buildings and improvements	(6,817,184)	(1,258,517)	0	(8,075,701)
Furniture and equipment	(6,653,236)	(538,595)	30,787	(7,161,044)
Vehicles	(1,367,062)	(172,965)	156,355	(1,383,672)
Infrastructure	0	(54,632)	0	(54,632)
Textbooks	(1,420,723)	(90,607)	0	(1,511,330)
Total Accumulated Depreciation	<u>(17,046,740)</u>	<u>(2,231,615)</u>	<u>187,142</u>	<u>(19,091,213)</u>
Total Capital Assets being depreciated, net	<u>52,423,276</u>	<u>(100,172)</u>	<u>(14,709)</u>	<u>52,308,395</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 53,736,833</u>	<u>\$ 2,094,930</u>	<u>\$ (40,638)</u>	<u>\$ 55,791,125</u>

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Depreciation expense was charged to governmental functions as follows:

Governmental Functions:	
Instruction:	
Regular	\$ 732,207
Special	4,797
Vocational	21,400
Support Services:	
Pupil	68,603
Instructional Staff	5,171
Board	157
Administration	11,913
Fiscal	1,363
Operation and Maintenance of Plant	857,816
Central	287,040
Pupil Transportation	168,528
Operation of Non-Instructional Services	18,995
Food Services	23,267
Extracurricular Activities	30,358
	2,231,615
Total Depreciation	\$ 2,231,615

NOTE 11 – RISK MANAGEMENT

A. Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$10,000 per incident and a policy limit of \$123,940,256. The School District’s vehicle liability insurance policy limit is \$1,000,000 with a \$1,000 collision deductible. All administrators and employees are covered under a School District liability policy and an umbrella policy. The combined limits of these coverages are \$7,000,000 per occurrence and \$8,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

B. Fidelity Bonds

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

C. Workers’ Compensation

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

D. Employee Health Insurance

The School District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the School District’s employees and their covered dependents in order to minimize the total cost of annual health care insurance. The School District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$3,768,807 per fiscal year with a \$150,000 stop-loss per individual participant. Claims in excess of this aggregate stop loss are insured by private carriers.

The claims liability of \$142,926 reported in the fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the School District’s third party administrator. A summary of the fund’s claims liability in fiscal years 2008 and 2009 is as follows:

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2008	\$ 179,810	\$ 3,480,795	\$ (3,458,046)	\$ 202,559
2009	\$ 202,559	\$ 3,738,891	\$ (3,798,524)	\$ 142,926

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The School District’s contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were \$522,587, \$549,898, and \$522,961, respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009 the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008 and 2007 were \$2,460,506, \$2,425,019 and \$2,307,523, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$40,058 made by the School District and \$95,405 made by the plan members.

C. Social Security System

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

Post Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$316,729, \$326,197, and \$241,719, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2007 were \$43,118 and \$39,621 and \$35,561, respectively, which equaled the required contributions for the year.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$189,270, \$186,540, and \$177,502 respectively.

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Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 – LONG TERM DEBT OBLIGATIONS

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

	Outstanding 6/30/2008	Additions	Reductions	Outstanding 6/30/2009	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
<i>Series BQ Bonds-2009</i>					
Serial Bonds - 2.00-5.00% 6/09-12/37	\$ 0	\$ 9,490,000	\$ 0	\$ 9,490,000	\$ 0
Capital Appreciation bonds					
25.929% 12/16 - 12/18	0	109,995	0	109,995	0
Premium	0	389,037	12,968	376,069	0
<i>School Improvement Bonds-2007</i>					
Serial Bonds - 4% 6/06-12/22	8,350,000	0	100,000	8,250,000	100,000
Capital Appreciation bonds					
10.439% 12/15 - 12/16	659,993	0	0	659,993	0
Accretion on Capital Appreciation bonds	95,207	80,424	0	175,631	0
Premium	502,726	0	33,515	469,211	0
Refunding Loss	(332,840)	0	(22,189)	(310,651)	0
<i>School Improvement Bonds-2006</i>					
Serial Bonds - 4.4.2% 6/06-12/22	8,555,000	0	105,000	8,450,000	105,000
Capital Appreciation bonds					
12.1-12.2% 12/14 - 12/15	614,990	0	0	614,990	0
Accretion on Capital Appreciation bonds	164,105	97,809	0	261,914	0
Premium	476,629	0	31,775	444,854	0
Refunding Loss	(300,438)	0	(20,029)	(280,409)	0
<i>School Improvement Bonds-1998</i>					
3.75-5.125% 4/98 - 12/22	1,745,000	0	0	1,745,000	555,000
Capital Appreciation bonds					
4.5% 12/07 - 12/08	136,264	0	136,264	0	0
Accretion on Capital Appreciation bonds	383,202	35,534	418,736	0	0
<i>School Improvement Bonds-1999</i>					
3.30-5.00% 4/99 - 12/22	1,555,000	0	460,000	1,095,000	500,000
Capital Appreciation bonds					
5% 12/10 - 12/12	694,997	0	0	694,997	0
Accretion on Capital Appreciation bonds	615,586	94,292	0	709,878	0
<i>School Improvement Bonds-2000</i>					
4.25-5.75% 4/00 - 12/22	200,000	0	100,000	100,000	100,000
Capital Appreciation bonds					
5.15% 12/10 - 12/12	94,999	0	0	94,999	0
Accretion on Capital Appreciation bonds	125,718	23,998	0	149,716	0
<i>Library Improvement Bonds-2001 (See Note 16)</i>					
3.00-5.15% 12/01 - 12/22	3,790,006	0	245,000	3,545,006	255,000
Capital Appreciation bonds					
7.296% 12/12 - 12/14	354,994	0	0	354,994	0
Accretion on Capital Appreciation bonds	230,117	43,296	0	273,413	0
<i>HB 264 Series - 2004</i>					
4.04% 06/04 - 12/08	110,590	0	110,590	0	0
<i>Energy Conversation Imp Bonds</i>					
2001, 5.25% 12/01 - 12/14	700,000	0	100,000	600,000	100,000
Total General Obligation Bonds	29,521,845	10,364,385	1,811,630	38,074,600	1,715,000
Compensated Absences	4,483,380	450,004	114,459	4,818,925	98,311
Total Governmental Activities					
Long-Term Liabilities	\$ 34,005,225	\$ 10,814,389	\$ 1,926,089	\$ 42,893,525	\$ 1,813,311

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2009 Series BQ Bonds

On June 29, 2009, the School District issued \$9,599,995 Series 2009A general obligation bonds. The proceeds of the bonds were used to construct, remodel and improve School District buildings and facilities. The bonds were issued for a 29 year period with final maturity at December 1, 2037.

The general obligation bonds were issued with a premium of \$389,037, which was reported as an increase to bonds payable in fiscal year 2009. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2009 was \$12,968. The issuance costs of \$286,465 were expensed as interest in fiscal year 2009.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

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

2007 School Improvement Refunding General Obligation Bonds

On February 6, 2007, the School District issued \$9,169,993 refunded general obligation bonds. The proceeds of the bonds were used to refund \$9,170,000 of the School District's outstanding 1998 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. At the date of the refunding, \$9,525,029 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2007, \$9,170,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$536,241, which was reported as an increase to bonds payable in fiscal year 2007. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, the amortization for June 30, 2009 was \$33,515. The issuance costs of \$180,714 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method; the amortization for June 30, 2009 was \$11,295. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$355,029. This difference reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2009 was \$22,189. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$594,174. The issuance resulted in an economic gain of \$444,217. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

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

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2006 School Improvement Refunding General Obligation Bonds

On June 1, 2006, the School District issued \$9,309,990 refunded general obligation bonds. The proceeds of the bonds were used to refund \$7,960,000 of the School District's outstanding 1998 and 1999 School Improvement bonds, and \$1,350,000 of the outstanding 2000 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. At the date of the refunding, \$9,650,496 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2006, \$9,310,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$540,179, which is reported as an increase to bonds payable. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method. The amortization for June 30, 2009 was \$31,775. The issuance costs of \$198,028 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization for June 30, 2009 was \$11,649. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$340,496. This difference reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2009 was \$20,029. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$418,484. The issuance resulted in an economic gain of \$306,718. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

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

General obligation bonds will be paid from the Debt Service fund. Compensated absences will be paid from the General Fund and respective funds.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

GENERAL OBLIGATION/CAPITAL APPRECIATION BONDS

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Accretion/ Interest
	2010	1,715,000	2,104,513	0	0	1,715,000
2011	1,180,000	2,282,224	271,916	373,084	1,451,916	2,655,308
2012	1,450,000	2,225,633	389,863	560,137	1,839,863	2,785,770
2013	1,220,000	1,736,374	372,615	592,385	1,592,615	2,328,759
2014	1,960,000	1,604,774	110,594	179,405	2,070,594	1,784,179
2015-2019	7,370,000	3,902,988	1,384,980	2,930,021	8,754,980	6,833,009
2020-2024	11,730,000	2,701,891	0	0	11,730,000	2,701,891
2025-2029	1,895,000	1,450,190	0	0	1,895,000	1,450,190
2030-2034	2,390,000	954,711	0	0	2,390,000	954,711
2035-2038	2,365,006	302,750	0	0	2,365,006	302,750
Total	\$ 33,275,006	\$ 19,266,048	\$ 2,529,968	\$ 4,635,032	\$ 35,804,974	\$ 23,901,080

NOTE 15—BOND ANTICIPATION NOTE PAYABLE

The changes in the School District’s bond anticipation notes during the year consist of the following:

	Outstanding 6/30/2008	Additions	Reductions	Outstanding 6/30/2009
Governmental Activities:				
Bond Anticipation Note				
Interest Rate 2.125%				
Due 07/01/2009	\$ 0	\$ 9,600,000	\$ 0	\$ 9,600,000
Total Bond Anticipation Notes Payable	\$ 0	\$ 9,600,000	\$ 0	\$ 9,600,000

On December 20, 2008, the School District issued a bond anticipation note on December 20, 2008 for \$9,600,000 with an interest rate of 2.125%. The proceeds were receipted into the Permanent Improvement Fund for construction costs associated with the Ohio schools facility commission building project. This note will be paid in full on July 1, 2009.

NOTE 16 – THIRD PARTY OBLIGATIONS

To provide for expansion and other permanent improvements at the Ella M. Everhard Public Library, the School District issued permanent improvement bonds. These bonds are general obligations of the School District payable from a tax levy passed by the voters of the Wadsworth City School District and backed by the full faith and credit of the School District. The assets related to this debt are assets of Ella M. Everhard Public Library.

At June 30, 2009, Library Improvement Bonds outstanding totaled \$3,545,006.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 17 – INTERFUND TRANSACTIONS

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2009 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 16,403	\$ 0
Other Governmental Funds	0	16,403
Total	<u>\$ 16,403</u>	<u>\$ 16,403</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2009, all interfund payables outstanding are anticipated to be repaid in fiscal year 2010.

The following is a summarized breakdown of the School District’s transfers for fiscal year 2009:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 255,449
Debt Service Fund	249,154	0
Other Governmental Funds	6,295	0
	<u>\$ 255,449</u>	<u>\$ 255,449</u>

During the year, the School District transferred \$249,154 to the Debt Service Fund to offset interest expense related to the issuance of bond anticipation notes. The General Fund also transferred \$6,295 to the Extracurricular Activities Fund to help support operating costs.

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

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

Representation on the Midland Council of Governments consists of one member appointed by each member board of education. The representative shall be the superintendent, assistant superintendent or treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who is elected for two year terms except the position of fiscal agent superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two superintendents, two treasurers, two members-at-large and the fiscal agent superintendent. During the year ended June 30, 2009, the School District paid approximately \$320,522 to Midland Council of Governments for basic service charges.

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Four Cities Educational Compact

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

NOTE 19 – RELATED ORGANIZATIONS

The Ella M. Everhard Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the tax authority for the Library. Once the Library determines to present a levy to the voters, including the determination to the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2009. In 2000 the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$5,599,995. The electors of the School District approved the levy. See Note 16 for additional disclosures regarding the bond issue.

NOTE 20 - CONTINGENCIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Litigation

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

NOTE 21 – CONSTRUCTION COMMITMENTS

The following construction commitments at June 30, 2009 will be financed with capital project funds revenue:

<u>Project</u>	<u>Total Authorized Cost</u>	<u>Expended to June 30, 2009</u>	<u>Balance at June 30, 2009</u>
High School/Community Center Project	\$ 1,881,995	\$ 1,013,441	\$ 868,554

Wadsworth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 22 – SET ASIDES

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Carryover Balance as of June 30, 2008	\$ 0	\$ (3,197,994)	\$ (3,197,994)
Current Year Set-Aside Requirement	761,207	761,207	1,522,414
Qualifying Disbursements	<u>(1,182,106)</u>	<u>(1,038,621)</u>	<u>(2,220,727)</u>
Total	<u>\$ (420,899)</u>	<u>\$ (3,475,408)</u>	<u>\$ (3,896,307)</u>
Cash Balance Carried Forward FY 2010	<u>\$ 0</u>	<u>\$ (3,475,408)</u>	<u>\$ (3,475,408)</u>
Amount to Restrict for Set-Asides			<u>\$ 0</u>
Total Restricted Assets			<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The excess qualifying textbook disbursements may be used to reduce the set-aside requirement in future fiscal years.

NOTE 23 – SUBSEQUENT EVENT

On September 9, 2009, the School District issued \$27,000,000 in Build America Bonds with an average interest rate of 6.345% and a maturity of 28 years. These bonds were issued to fund the local share of the School District’s Ohio School’s Facility Commission’s building project. These bonds will be retired with tax revenues from a 5.9 mill construction levy approved by the voters in November 2008

On September 22, 2009, the School District issued \$29,050,000 in Bond Anticipation Notes with an interest rate of 2.25% with a maturity of 12 months. These bonds were issued to fund the local share of the School District’s Ohio School’s Facility Commission’s building project. These bonds will be retired with revenues generated from the proceeds of a bond sale in 2010.

On December 28, 2009, the School District issued \$15,000,000 in interest free Qualified School Construction Bonds with a maturity of 16 years. Bond holders earn tax credits on these bonds as opposed to interest. These bonds were issued to fund the local share of the School District’s Ohio School’s Facility Commission’s building project. These bonds will be retired with annual grant proceeds from Medina County as part of the Medina County Sales Tax levy approved by the voters in 2007.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 31, 2009

To the Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

INDEPENDENT AUDITOR'S 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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wadsworth City School District (the School District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009. 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 School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District'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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 entity'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 entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs number 2009-001 to be a significant deficiency in internal control over financial reporting.

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 entity's internal control.

Our consideration of the 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 the 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, for the significant deficiency described above, we consider the item 2009-001 to be material weaknesses.

We also noted certain internal control matters that we reported to the management of Wadsworth City School District in a separate letter dated December 31, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District'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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note immaterial instances of noncompliance, which we have reported to management of Wadsworth City School District in a separate letter dated December 31, 2009.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Kea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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December 31, 2009

The Board of Education
Wadsworth City School District
360 College Street
Wadsworth, Ohio 44281

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the Wadsworth City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

Hea & Associates, Inc.

**WADSWORTH CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
U. S. Department of Education (Passed through the Ohio Department of Education):				
Title I - FY08	84.010	2008	\$ 131,381	\$ 24,267
Title I - FY09	84.010	2009	200,862	193,796
Total Title I			<u>332,243</u>	<u>218,063</u>
<i>Special Education Cluster</i>				
IDEA Part B - FY08	84.027	2007	309,221	51,186
IDEA Part B - FY09	84.027	2008	745,525	722,240
Total IDEA Part B			<u>1,054,746</u>	<u>773,426</u>
Early Childhood Special Education - FY09	84.173	2009	14,480	14,480
Total Early Childhood Special Education			<u>14,480</u>	<u>14,480</u>
<i>Total Special Education Cluster</i>			<u>1,069,226</u>	<u>787,906</u>
Title IV-A: Safe and Drug-Free Schools - FY08	84.186	2008	9,589	0
Title IV-A: Safe and Drug-Free Schools - FY09	84.186	2009	10,665	9,717
Total Title IV-A: Safe and Drug-Free Schools			<u>20,254</u>	<u>9,717</u>
Carl Perkins Vocational Education - FY08	84.048	2008	82,318	18,740
Carl Perkins Vocational Education - FY09	84.048	2009	167,157	153,862
Total Carl Perkins Vocational Education			<u>249,475</u>	<u>172,602</u>
Title II-D: Technology - FY08	84.318	2008	2,458	0
Title II-D: Technology - FY09	84.318	2009	159	1,562
Total Title II-D: Technology			<u>2,617</u>	<u>1,562</u>
Title V: Innovative Education - FY08	84.298	2008	1,104	0
Title V: Innovative Education - FY09	84.298	2009	7,646	7,382
Total Title V: Innovative Education			<u>8,750</u>	<u>7,382</u>
Title II-A: Improving Teacher Quality - FY08	84.367	2008	68,125	0
Title II-A: Improving Teacher Quality - FY09	84.367	2009	132,731	143,572
Total Title II-A: Improving Teacher Quality			<u>200,856</u>	<u>143,572</u>
Total U.S. Department of Education			<u>1,883,421</u>	<u>1,340,804</u>
U. S. Department of Agriculture (Passed through the Ohio Department of Education):				
<i>Child Nutrition Cluster</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2009	47,940	47,940
Cash Assistance:				
School Breakfast Program - FY09	10.553	2009	45,004	45,004
Total School Breakfast Program			<u>45,004</u>	<u>45,004</u>
National School Lunch Program - FY09	10.555	2009	310,832	310,832
Total National School Lunch Program			<u>310,832</u>	<u>310,832</u>
<i>Cash Assistance Subtotal</i>			<u>355,836</u>	<u>355,836</u>
<i>Total Child Nutrition Cluster</i>			<u>403,776</u>	<u>403,776</u>
Total U.S. Department of Agriculture			<u>403,776</u>	<u>403,776</u>
Total Federal Assistance			<u>\$ 2,287,197</u>	<u>\$ 1,744,580</u>

See accompanying notes to the schedule of expenditures of federal awards

WADSWORTH CITY SCHOOL DISTRICT

MEDINA COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2009

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE 2: NUTRITION CLUSTER

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is part of the Nutrition Cluster. It is reported in the schedule of expenditures of federal awards at the value of the commodities received as assessed by the U.S. Department of Agriculture. At June 30, 2009, the School District had no significant food commodities inventory.

Note 3: TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, ODE authorized the following transfers:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I	2008	40,538	
84.010	Title I	2009		40,538
84.367	Title II-A	2008	10,127	
84.367	Title II-A	2009		10,127
84.298	Title V	2008	10,650	
84.298	Title V	2009		10,650
84.318	Title II-D	2008	12	
84.318	Title II-D	2009		12
84.318	Safe and Drug Free Schools	2008	353	
84.318	Safe and Drug Free Schools	2009		353
84.173	Early Childhood Special Ed	2008	200	
84.173	Early Childhood Special Ed	2009		200

**WADSWORTH CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2009**

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

**WADSWORTH CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009 (continued)**

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

FINDING NUMBER 2008-001

Capital Assets – Material Weakness

The School District has developed and implemented procedures to track the movement of capital asset retirement, sale, disposal and acquisition. The Equipment Inventory Subsystem (EIS) is used to document the status and location of assets. Annually, the treasurer's office provides capital asset reports generated by EIS to an independent public accountant for completion of their compilation. A material weakness in internal control was identified in relation to the monitoring of the capital asset reporting.

While performing our testing, we noted assets (primarily buildings) that were listed as fully depreciated, although the useful lives of the buildings have not yet been met. These assets had been improperly entered into the EIS system as fully depreciated and thus had not been depreciated for many years. This error lead to prior period adjustment of \$10,560,596.

Additionally, it was determined that the School District was charging several individual assets to operational and maintenance expense. Capital assets of the School District should be depreciated to the functions/programs that use the assets. For the current year, \$474,169 of depreciation was identified as incorrectly being classified to operation and maintenance when buildings of the school district are primarily used for the instruction of children and review.

The result of this deficiency over controls has lead to a material misstatement of capital assets that resulted in the financial statements being corrected. Increased monitoring and review of the capital asset system and reports would help mitigate the risk of future misstatements due to error, either by data entry or the asset tracking system itself.

We recommend the School District review year end asset reports, prior to submitting for compilation of the financial statements, to help ensure an accurate and complete capital asset listing and that capital asset depreciation is properly charged to the program/function in which each asset is used.

Management's Response:

The School District recognizes the material weakness associated with the capital assets system. The School District currently utilizes a state software supported system called Equipment Inventory System (EIS). Further, the School District utilizes straight line depreciation of capital assets including buildings. As noted in the report many of the items in the building category are noted with a useful life of 50 years. Some of these assets are less than 50 years old yet have been fully depreciated. It appears many of these building assets were incorrectly added to the EIS system with inaccurate Life to Date (LTD) depreciation amounts when originally entered into the system. The School District intends to implement the following controls and procedures to better manage the capital assets system.

- Management will review the building assets identified by Rea and Associates and adjust the Life to Date depreciation accordingly.
- Management will review the LTD depreciation of all depreciable assets and assure they are accurate.
- Management will review LTD depreciation reports prior to submitting to the GAAP/Audit team for accuracy.
- Management will identify all assets currently identified as operational and maintenance expenses (2700 function) and transfer to the area that uses the assets.
- The School District is to embark on a \$120,000,000 construction project which will involve many additions and deletions to capital assets. The Treasurer and Accounting Supervisor will continue to work together to expand their knowledge and understanding of the Equipment Inventory System and Fixed Asset Accounting to ensure proper classification of the new assets and monitoring of current assets.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

**WADSWORTH CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2008-01	Lack of controls over capital assets resulted in incomplete asset reporting	No	Not Corrected



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 31, 2009

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

To the Board of Education:

Ohio Rev. Code Section 187.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Wadsworth City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on May 11, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - a) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - c) A procedure for reporting prohibited incidents;

- d) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- e) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- f) A procedure for documenting any prohibited incident that is reported;
- g) A procedure for responding to and investigating any reported incident;
- h) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- j) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2010