

WADSWORTH CITY SCHOOL DISTRICT  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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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, 2001 and June 30, 2002. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

December 12, 2002

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WADSWORTH CITY SCHOOL DISTRICT  
Wadsworth, Ohio

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups.....	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types.....	4-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -Budget and Actual (Budget Basis)- All Governmental Fund Types .....	6-9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types .....	10
Combined Statement of Cash Flows - All Proprietary Fund Types.....	11
Notes to the General Purpose Financial Statements .....	12-34
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	35
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	36-37
Schedule of Expenditures of Federal Awards.....	38
Schedule of Findings and Questioned Costs.....	39

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 16, 2002

The Board of Education  
Wadsworth City School District  
Wadsworth, Ohio 44218

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Wadsworth City School District as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Wadsworth City School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 a report dated October 16, 2002, on our consideration of Wadsworth City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Rea & Associates, Inc.*

WADSWORTH CITY SCHOOL DISTRICT

Combined Balance Sheet  
All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<b>Assets and Other Debits</b>				
Cash and Cash Equivalents - Unrestricted	\$ 2,401,717	\$ 534,397	\$ 768,427	\$ 1,073,789
Cash and Cash Equivalents - Restricted	235,677	0	23,471	0
Receivables:				
Taxes	14,288,147	0	2,040,124	634,485
Accounts	7,819	0	0	0
Interfund	0	0	23,259	0
Accrued Interest	8,009	0	0	0
Intergovernmental Receivable	0	85,281	0	0
Inventory Held For Resale	0	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided From Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$ 16,941,369</u>	<u>\$ 619,678</u>	<u>\$ 2,855,281</u>	<u>\$ 1,708,274</u>
<u>Liabilities, Fund Equity, and Other Credits</u>				
<b>Liabilities</b>				
Accounts Payable	\$ 171,249	\$ 21,581	\$ 0	\$ 63,052
Accrued Wages and Benefits	1,646,553	19,256	0	0
Compensated Absences Payable	0	0	0	0
Interfund Payable	0	23,259	0	0
Intergovernmental Payable	606,940	10,467	0	0
Deferred Revenue	13,607,448	85,281	1,944,056	604,174
Undistributed Monies	0	0	0	0
Notes Payable	0	0	0	360,000
Claims Payable	0	0	0	0
Early Retirement Incentive Payable	119,291	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<u>16,151,481</u>	<u>159,844</u>	<u>1,944,056</u>	<u>1,027,226</u>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	250,509	57,842	0	955,789
Reserved for Tax Revenue Unavailable for Appropriations	680,699	0	96,068	30,311
Reserved for Budget Stabilization	235,677	0	0	0
Unreserved:				
Undesignated	(376,997)	401,992	815,157	(305,052)
<b>Total Fund Equity and Other Credits</b>	<u>789,888</u>	<u>459,834</u>	<u>911,225</u>	<u>681,048</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u>\$ 16,941,369</u>	<u>\$ 619,678</u>	<u>\$ 2,855,281</u>	<u>\$ 1,708,274</u>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		(Memorandum Only)
\$ 109,238	\$ 301,033	\$ 129,939	\$ 0	\$ 0	\$	5,318,540
0	0	0	0	0	0	259,148
0	0	0	0	0	0	16,962,756
0	15,809	0	0	0	0	23,628
0	0	0	0	0	0	23,259
0	0	0	0	0	0	8,009
0	0	0	0	0	0	85,281
15,590	0	0	0	0	0	15,590
293,768	0	0	64,238,916	0	0	64,532,684
0	0	0	0	911,225	0	911,225
0	0	0	0	41,360,752	0	41,360,752
<b>\$ 418,596</b>	<b>\$ 316,842</b>	<b>\$ 129,939</b>	<b>\$ 64,238,916</b>	<b>\$ 42,271,977</b>	<b>\$</b>	<b>129,500,872</b>
\$ 14,392	\$ 0	\$ 22,911	\$ 0	\$ 0	\$	293,185
20,943	0	5,937	0	0	0	1,692,689
76,830	0	6,946	0	3,715,741	0	3,799,517
0	0	0	0	0	0	23,259
39,396	0	1,747	0	263,350	0	921,900
11,777	0	0	0	0	0	16,252,736
0	0	92,398	0	0	0	92,398
0	0	0	0	1,700,000	0	2,060,000
0	140,481	0	0	0	0	140,481
0	0	0	0	1,807,903	0	1,927,194
0	0	0	0	34,784,983	0	34,784,983
163,338	140,481	129,939	0	42,271,977	0	61,988,342
0	0	0	64,238,916	0	0	64,238,916
168,252	0	0	0	0	0	168,252
87,006	176,361	0	0	0	0	263,367
0	0	0	0	0	0	1,264,140
0	0	0	0	0	0	807,078
0	0	0	0	0	0	235,677
0	0	0	0	0	0	535,100
255,258	176,361	0	64,238,916	0	0	67,512,530
<b>\$ 418,596</b>	<b>\$ 316,842</b>	<b>\$ 129,939</b>	<b>\$ 64,238,916</b>	<b>\$ 42,271,977</b>	<b>\$</b>	<b>129,500,872</b>

**WADSWORTH CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances*  
**All Governmental Fund Types**

For the Year Ended June 30, 2002

	<b>Governmental Fund Type</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><u>Revenues</u></b>				
Taxes	\$ 13,906,830	\$ 0	\$ 2,646,469	\$ 281,554
Intergovernmental	13,844,256	1,294,499	297,595	53,874
Investment Income	74,537	3,792	50,486	79,211
Tuition and Fees	157,858	0	0	0
Extracurricular Activities	0	514,688	0	0
Rentals	51,694	0	0	0
Miscellaneous	30,423	12,769	194,759	0
<b>Total Revenues</b>	<b>28,065,598</b>	<b>1,825,748</b>	<b>3,189,309</b>	<b>414,639</b>
<b><u>Expenditures</u></b>				
Current:				
Instruction				
Regular	13,126,912	129,171	0	0
Special	1,530,347	213,966	0	0
Vocational	1,130,681	201,654	0	0
Other	118,708	0	0	0
Support Services:				
Pupils	1,487,194	232,112	0	253,670
Instructional Staff	893,228	242,969	0	0
Board of Education	130,287	0	0	0
Administration	2,417,220	231,750	0	0
Fiscal	568,240	0	37,658	11,663
Business	1,257	0	0	0
Operation and Maintenance of Plant	3,288,598	0	0	0
Pupil Transportation	1,288,232	566	0	0
Central	1,697,696	50,759	0	20,000
Operation of Non-Instructional Services	28,759	178,227	0	0
Extracurricular Activities	503,424	272,138	0	0
Capital Outlay	580,769	0	0	5,081,887
Debt Service:				
Principal Retirement	0	0	6,613,000	0
Interest and Fiscal Charges	0	0	1,756,451	25,226
<b>Total Expenditures</b>	<b>28,791,552</b>	<b>1,753,312</b>	<b>8,407,109</b>	<b>5,392,446</b>
Excess of Revenues Over (Under) Expenditures	(725,954)	72,436	(5,217,800)	(4,977,807)
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from Sales of Assets	1,752,275	0	0	0
Proceeds from Sale of Long-Term Notes	0	0	0	1,700,000
Operating Transfers In	0	5,000	0	390,226
Operating Transfers Out	(17,926)	0	(390,226)	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,734,349</b>	<b>5,000</b>	<b>(390,226)</b>	<b>2,090,226</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,008,395	77,436	(5,608,026)	(2,887,581)
Fund Balance (Deficit) at Beginning Of Year	(218,507)	382,398	6,519,251	3,568,629
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 789,888</b>	<b>\$ 459,834</b>	<b>\$ 911,225</b>	<b>\$ 681,048</b>

See accompanying notes to the general purpose financial statements.

**Totals**  
**(Memorandum**  
**Only)**

\$	16,834,853
	15,490,224
	208,026
	157,858
	514,688
	51,694
	237,951
	<u>33,495,294</u>
	13,256,083
	1,744,313
	1,332,335
	118,708
	1,972,976
	1,136,197
	130,287
	2,648,970
	617,561
	1,257
	3,288,598
	1,288,798
	1,768,455
	206,986
	775,562
	5,662,656
	6,613,000
	1,781,677
	<u>44,344,419</u>
	(10,849,125)
	1,752,275
	1,700,000
	395,226
	(408,152)
	<u>3,439,349</u>
	(7,409,776)
	10,251,771
\$	<u><u>2,841,995</u></u>

**WADSWORTH CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Funds**

(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

<b>GENERAL FUND</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 13,755,918	\$ 13,755,918	\$ 0
Intergovernmental	13,844,256	13,844,256	0
Investment Income	99,880	99,880	0
Tuition and Fees	163,835	163,835	0
Extracurricular Activities	0	0	0
Rentals	55,657	55,657	0
Miscellaneous	24,601	24,601	0
<b>Total Revenues</b>	<b>27,944,147</b>	<b>27,944,147</b>	<b>0</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	15,835,558	15,835,558	0
Support Services			
Pupils	1,489,968	1,489,968	0
Instructional Staff	917,257	917,257	0
Board of Education	130,376	130,376	0
Administration	2,675,965	2,675,965	0
Fiscal	561,693	561,693	0
Business	1,432	1,432	0
Operation and Maintenance of Plant	3,390,089	3,390,089	0
Pupil Transportation	1,256,994	1,256,994	0
Central	1,608,594	1,608,594	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	521,959	521,959	0
Capital Outlay	581,730	581,730	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>28,971,615</b>	<b>28,971,615</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(1,027,468)	(1,027,468)	0
<b>Other Financing Sources (Uses)</b>			
Proceeds From Sale of Assets	1,748,048	1,748,048	0
Proceeds From Sale of Bonds	0	0	0
Proceeds From Sale of Long-Term Notes	0	0	0
Refund of Prior Year Expenditures	17,241	17,241	0
Refund of Prior Year Receipts	(2,894)	(2,894)	0
Other Financing Sources	3,424	3,424	0
Advances In	46,714	46,714	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(17,926)	(17,926)	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,794,607</b>	<b>1,794,607</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	767,139	767,139	0
Fund Balance (Deficit) at Beginning of Year	1,195,960	1,195,960	0
Prior Year Encumbrances Appropriated	286,483	286,483	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 2,249,582</b>	<b>\$ 2,249,582</b>	<b>\$ 0</b>

See accompanying notes to the general purpose financial statements.

SPECIAL REVENUE FUND				DEBT SERVICE FUND			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 0	\$ 0	\$ 0		\$ 2,652,994	\$ 2,652,994	\$ 0	
1,213,353	1,213,353	0		297,595	297,595	0	
3,792	3,792	0		50,486	50,486	0	
0	0	0		0	0	0	
514,934	514,934	0		0	0	0	
0	0	0		0	0	0	
10,910	10,910	0		170,875	170,875	0	
1,742,989	1,742,989	0		3,171,950	3,171,950	0	
562,249	562,249	0		0	0	0	
245,258	245,258	0		0	0	0	
252,436	252,436	0		0	0	0	
0	0	0		0	0	0	
272,349	272,349	0		0	0	0	
0	0	0		37,658	37,658	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
566	566	0		0	0	0	
50,759	50,759	0		0	0	0	
279,543	279,543	0		0	0	0	
294,811	294,811	0		0	0	0	
0	0	0		0	0	0	
0	0	0		6,978,000	6,978,000	0	
0	0	0		1,781,677	1,781,677	0	
1,957,971	1,957,971	0		8,797,335	8,797,335	0	
(214,982)	(214,982)	0		(5,625,385)	(5,625,385)	0	
0	0	0		0	0	0	
0	0	0		913	913	0	
0	0	0		0	0	0	
1,819	1,819	0		0	0	0	
(8,603)	(8,603)	0		0	0	0	
82,187	82,187	0		0	0	0	
23,259	23,259	0		0	0	0	
(36,657)	(36,657)	0		(23,259)	(23,259)	0	
5,000	5,000	0		0	0	0	
0	0	0		0	0	0	
67,005	67,005	0		(22,346)	(22,346)	0	
(147,977)	(147,977)	0		(5,647,731)	(5,647,731)	0	
369,511	369,511	0		6,439,629	6,439,629	0	
214,209	214,209	0		0	0	0	
\$ 435,743	\$ 435,743	\$ 0		\$ 791,898	\$ 791,898	\$ 0	

(continued)

**WADSWORTH CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Funds**

(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

<b>CAPITAL PROJECTS FUND</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 270,418	\$ 270,418	\$ 0
Intergovernmental	53,874	53,874	0
Investment Income	122,688	122,688	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Miscellaneous	4,100	4,100	0
<b>Total Revenues</b>	<b>451,080</b>	<b>451,080</b>	<b>0</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	0	0	0
Support Services			
Pupils	253,670	253,670	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	11,663	11,663	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	20,000	20,000	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	6,739,397	6,739,397	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>7,024,730</b>	<b>7,024,730</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(6,573,650)	(6,573,650)	0
<b>Other Financing Sources (Uses)</b>			
Proceeds From Sale of Assets	0	0	0
Proceeds From Sale of Bonds	0	0	0
Proceeds From Sale of Long-Term Notes	1,700,000	1,700,000	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Other Financing Sources	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,873,650)	(4,873,650)	0
Fund Balance (Deficit) at Beginning of Year	477,589	477,589	0
Prior Year Encumbrances Appropriated	4,451,754	4,451,754	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 55,693</b>	<b>\$ 55,693</b>	<b>\$ 0</b>

See accompanying notes to the general purpose financial statements.

**TOTALS**  
**(MEMORANDUM ONLY)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 16,679,330	\$ 16,679,330	\$ 0
15,409,078	15,409,078	0
276,846	276,846	0
163,835	163,835	0
514,934	514,934	0
55,657	55,657	0
210,486	210,486	0
<u>33,310,166</u>	<u>33,310,166</u>	<u>0</u>
16,397,807	16,397,807	0
1,988,896	1,988,896	0
1,169,693	1,169,693	0
130,376	130,376	0
2,948,314	2,948,314	0
611,014	611,014	0
1,432	1,432	0
3,390,089	3,390,089	0
1,257,560	1,257,560	0
1,679,353	1,679,353	0
279,543	279,543	0
816,770	816,770	0
7,321,127	7,321,127	0
6,978,000	6,978,000	0
1,781,677	1,781,677	0
<u>46,751,651</u>	<u>46,751,651</u>	<u>0</u>
<u>(13,441,485)</u>	<u>(13,441,485)</u>	<u>0</u>
1,748,048	1,748,048	0
913	913	0
1,700,000	1,700,000	0
19,060	19,060	0
(11,497)	(11,497)	0
85,611	85,611	0
69,973	69,973	0
(59,916)	(59,916)	0
5,000	5,000	0
(17,926)	(17,926)	0
<u>3,539,266</u>	<u>3,539,266</u>	<u>0</u>
(9,902,219)	(9,902,219)	0
8,482,689	8,482,689	0
4,952,446	4,952,446	0
<u>3,532,916</u>	<u>\$ 3,532,916</u>	<u>\$ 0</u>

**WADSWORTH CITY SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Fund Equity*  
**All Proprietary Fund Types**

For the Year Ended June 30, 2002

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
<b><u>Operating Revenues</u></b>			
Sales	\$ 887,717	\$ 0	\$ 887,717
Charges for Services	204,513	2,603,104	2,807,617
<b>Total Operating Revenues</b>	<b>1,092,230</b>	<b>2,603,104</b>	<b>3,695,334</b>
<b><u>Operating Expenses</u></b>			
Salaries	459,209	0	459,209
Fringe Benefits	68,734	0	68,734
Purchased Services	29,562	289,753	319,315
Materials and Supplies	590,069	0	590,069
Depreciation	28,410	0	28,410
Maintenance	15,557	0	15,557
Claims	0	2,321,383	2,321,383
Other Operating Expenses	727	0	727
<b>Total Operating Expenses</b>	<b>1,192,268</b>	<b>2,611,136</b>	<b>3,803,404</b>
Operating Income (Loss)	(100,038)	(8,032)	(108,070)
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Operating Grants	162,975	0	162,975
Interest	0	7,273	7,273
<b>Total Non-Operating Revenues (Expenses)</b>	<b>162,975</b>	<b>7,273</b>	<b>170,248</b>
Net Income	62,937	(759)	62,178
Retained Earnings at Beginning of Year	24,069	177,120	201,189
Contributed Capital at Beginning of Year	168,252	0	168,252
<b>Retained Earnings at End of Year</b>	<b>\$ 255,258</b>	<b>\$ 176,361</b>	<b>\$ 431,619</b>

See accompanying notes to the general purpose financial statements.



**WADSWORTH CITY SCHOOL DISTRICT**

*Combined Statement of Cash Flows*  
**All Proprietary Fund Types**

For the Year Ended June 30, 2002

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	\$ 1,095,739	\$ 0	\$ 1,095,739
Cash Received from Quasi-External Transactions with other funds	0	2,587,295	2,587,295
Cash Paid for Goods and Services	(699,233)	0	(699,233)
Cash Paid to Employees	(510,350)	0	(510,350)
Cash Paid for Claims	0	(2,651,360)	(2,651,360)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>(113,844)</b>	<b>(64,065)</b>	<b>(177,909)</b>
<b><u>Cash Flows From Capital &amp; Related Financing Activities</u></b>			
Purchase of equipment	(17,000)	0	(17,000)
<b>Net Cash Used for Capital &amp; Related Financing Activities</b>	<b>(17,000)</b>	<b>0</b>	<b>(17,000)</b>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>			
Grants	162,975	0	162,975
Interest income	0	7,273	7,273
<b>Net Cash Provided By Non-Capital Activities</b>	<b>162,975</b>	<b>7,273</b>	<b>170,248</b>
Net Increase (Decrease) in Cash and Cash Equivalents	32,131	(56,792)	(24,661)
Cash and Cash Equivalents at Beginning of Year	77,107	357,825	434,932
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 109,238</b>	<b>\$ 301,033</b>	<b>\$ 410,271</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u></b>			
Operating Income (Loss)	\$ (100,038)	\$ (8,032)	\$ (108,070)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>			
Depreciation	28,410	0	28,410
(Increase) decrease in assets:			
Accounts Receivable	727	(15,809)	(15,082)
Inventory	(1,369)	0	(1,369)
Increase (decrease) in liabilities:			
Accounts Payable	(5,313)	(240)	(5,553)
Accrued wages and benefits	14,788	0	14,788
Compensated absences payable	2,805	0	2,805
Interfund payable	(7,612)	0	(7,612)
Intergovernmental payable	(49,024)	0	(49,024)
Deferred revenue	2,782	0	2,782
Claims payable	0	(39,984)	(39,984)
<b>Total Adjustments</b>	<b>(13,806)</b>	<b>(56,033)</b>	<b>(69,839)</b>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ (113,844)</b>	<b>\$ (64,065)</b>	<b>\$ (177,909)</b>

See accompanying notes to the general purpose financial statements.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

The District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the District's eight instructional/support facilities staffed by 210 noncertificated employees, 290 certificated full-time teaching personnel and 20 administrators who provide services to 4,322 students and other community members.

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

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

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

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**BASIS OF PRESENTATION - FUND ACCOUNTING**

The District uses funds and account groups to report its financial position and results of operation. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category is then divided into various fund types. The following are the fund types and account groups utilized by the District:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities, except those accounted for in proprietary and fiduciary funds, are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the District's governmental fund types:

General Fund

The general fund is the operating fund of the District and is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

Special revenue funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be expended for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District applies all applicable pronouncements from the Financial Accounting Standards Board (FASB) in accounting and reporting issued on or before November 30, 1989 for its proprietary operations. The following are the District's proprietary fund types:

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Enterprise Funds

Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the District is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The following is the District's fiduciary fund type:

Agency Funds

These funds are purely custodial in nature and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 are generally included on the Combined Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Combined Balance Sheet. The proprietary fund type operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used for reporting purposes by all governmental fund types and agency funds. Under this basis of accounting, the District recognizes revenues in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current fiscal period or soon enough thereafter to be used to pay liabilities of the current fiscal period, which the District considers to be sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance at June 30, 2002, investment earnings, tuition, grants and entitlements, and student fees.

The District reports deferred revenue on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue. In the proprietary fund types, unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on general long-term debt which is reported only when due, and the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities non-operating revenue.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

**BUDGETARY PROCESS**

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

**Tax Budget**

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

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the Appropriation Resolution. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding fiscal year. The Certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for fiscal 2002.

**Appropriations**

By October 1, the annual Appropriation Resolution must be legally enacted by the Board of Education which becomes the legal level of budgetary control. Prior to the passage of the annual Appropriation Resolution, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

Encumbrances

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

Lapsing of Appropriations

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

CASH AND INVESTMENTS

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

During fiscal year 2002, investments were in STAR Ohio.

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

Following Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue has been credited to the general fund, education fund (special revenue), district managed student activity fund (special revenue), auxiliary services fund (special revenue), bond fund (debt service), permanent improvement fund (capital projects), construction fund (capital projects), food service fund (enterprise) and the employee benefits self-insurance fund (internal service). Interest credited to these funds during fiscal year 2002 amounted to \$215,299.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**RESTRICTED ASSETS**

Restricted assets in the debt service fund represent accrued interest received from the \$7,000,000 in bonds issued.

**INVENTORY**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated and purchased food, and they are expensed when used. Unused donated commodities are reported as deferred revenue.

**FIXED ASSETS AND DEPRECIATION**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. There was no change to contributed capital during fiscal year 2002. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical cost records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. In proprietary funds, improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.



**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

**REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Exchange transactions are those in which each party to a transaction gives and receives essentially something of equal value. Proprietary funds, where the full accrual basis of accounting is used, record revenue when the exchange takes place. Governmental funds, where the modified accrual basis of accounting is used, record revenue in the fiscal year in which the resources are both measurable and available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes available as an advance at June 30, are recognized as revenue. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

**SHORT-TERM INTERFUND ASSETS/LIABILITIES**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “Interfund Receivable/Payable”.

**COMPENSATED ABSENCES**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16 “Accounting for Compensated Absences”. Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met.

1. The employees’ rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The District has accrued a liability for these compensated absences using the termination method when the following criterion is met. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees’ retirement (“termination payments”).

The sick leave liability has been based on the District’s past experience of making termination payments for sick leave.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

For governmental funds, that portion of the liability which is non-current is reported in the general long-term obligations account group. Liabilities that use current expendable resources are recorded in the fund from which the employees are paid. In proprietary funds, compensated absences are expensed when earned and the entire amount is reported as a fund liability.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after fiscal year end are considered not to have been made with current available financial resources. Bonds and notes are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**FUND BALANCES RESERVES**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balances indicate that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service principal and property taxes.

**INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**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.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding fiscal year end encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balances for governmental fund types and as a note disclosure in the proprietary fund types (GAAP basis).
4. Advances are reported on the operating statement (budget basis) rather than on the Combined Balance Sheet (GAAP basis).
- 5.

Adjustments necessary to convert the results of operations at the end of the fiscal year on the GAAP basis to the budget basis are as follows:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)  
Expenditures and Other Financing Uses  
All Governmental Types

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Budget Basis	\$ 767,139	\$ (147,977)	\$ (5,647,731)	\$ (4,873,650)
Adjustments, increase (decrease)				
Revenue accruals	58,301	(24,506)	16,446	353,785
Expenditures accruals	(204,109)	151,266	23,259	613,443
Encumbrances	<u>387,064</u>	<u>98,653</u>	<u>0</u>	<u>1,018,841</u>
GAAP basis, as reported	<u>\$ 1,008,395</u>	<u>\$ 77,436</u>	<u>\$ (5,608,026)</u>	<u>\$ (2,887,581)</u>

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes require the classification of monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits may 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 are permitted to be deposited or invested in the following securities:

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

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand

At fiscal year end, the District had \$1,891 in undeposited cash on hand which is included on the Combined Balance Sheet of the District as part of "Equity in Pooled Cash and Investments".

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

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$(71,578) and the bank balance was \$994,819. Of the bank balance:

1. \$285,334 was covered by federal depository insurance.
2. \$709,485 was held in collateral pools with no specifications for whom such funds are held which is considered to be uninsured and uncollateralized as defined by GASB Statement No. 3. Although all State statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002. At June 30, 2002, the fair value of STAR Ohio was \$5,647,375. Investments in STAR Ohio are not categorized since they are not evidenced by securities that exist in physical or book entry form.



**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

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

The Medina County Treasurer collects property tax on behalf of all taxing districts within the County. The Medina County Auditor periodically advances to the District their portion of the taxes collected. The amount available to the District as an advance at June 30, 2002, is available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, which was reflected in 2002 as revenue, was \$807,078. This amount was also reflected as a reservation of fund balances for future appropriations.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts, accrued interest, interfund, and intergovernmental entitlements and 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.

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$ 658,071
Less: Accumulated Depreciation	<u>(364,303)</u>
Net Fixed Assets	<u><u>\$ 293,768</u></u>

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 7 - FIXED ASSETS (continued)**

A summary of the changes in general fixed assets follows:

	Balance July 1, 2001	Additions	Deletions	Transfers	Balance June 30, 2002
Land, Buildings and Improvements	\$ 46,027,877	\$ 31,508	\$ (617,378)	\$ 583,708	\$ 46,025,715
Furniture and Fixtures	8,019,836	919,645	(585,132)	504	8,354,853
Vehicles	1,808,211	0	0	0	1,808,211
Textbooks	1,593,489	119,881	(45,918)	0	1,667,452
Construction in Progress	2,047,852	4,918,541	0	(583,708)	6,382,685
<b>Total</b>	<b>\$ 59,497,265</b>	<b>\$ 5,989,575</b>	<b>\$ (1,248,428)</b>	<b>\$ 504</b>	<b>\$ 64,238,916</b>

**NOTE 8 - INTERFUND TRANSACTIONS**

The account balances by fund of "Interfund Receivable" and "Interfund Payable" as of June 30, 2002 are as follows:

Fund	Interfund Receivable	Interfund Payable
Debt Service	\$ 23,259	\$ 0
Special Revenue	0	23,259
<b>Total</b>	<b>\$ 23,259</b>	<b>\$ 23,259</b>

The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ (17,926)
Special Revenue	5,000	0
Capital Projects	390,226	0
Debt Service	0	(390,226)
Agency	12,926	0
	<b>\$ 408,152</b>	<b>\$ (408,152)</b>



**WADSWORTH CITY SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 9 - RISK MANAGEMENT**

A. Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and, natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident. The District's vehicle liability insurance policy limit is \$1,000,000 with a \$250 collision deductible. All administrators and employees are covered under a District liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

B. Fidelity Bonds

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

C. Workers' Compensation

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

D. Employee Health Insurance

The District has established a health care self-insurance fund. The purpose of this fund is to pay medical and dental claims of the District's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The District has contracted with a third party administrator to direct this program. Self-insurance is in effect for aggregate claims up to \$2,293,477 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 \$140,481 reported in the fund at June 30, 2002 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the District's third party administrator. A summary of the fund's claims liability in fiscal years 2001 and 2002 is as follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2001	\$ 123,158	\$ 2,102,326	\$ (2,045,019)	\$ 180,465
2002	\$ 180,465	\$ 2,341,754	\$ (2,381,738)	\$ 140,481

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 10 – NOTES PAYABLE**

Changes in notes payable of the District from July 1, 2001 through June 30, 2002, were as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Tax Anticipation Notes 4.65%, 2/01 - 12/02	\$ 725,000	\$ 0	\$ 365,000	\$ 360,000
	<u>\$ 725,000</u>	<u>\$ 0</u>	<u>\$ 365,000</u>	<u>\$ 360,000</u>

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS**

Changes in long-term obligations of the District from July 1, 2001 through June 30, 2002, were as follows:

	General Long-Term Obligations Account			Balance
	Balance July 1, 2001	Additions	Deletions	June 30, 2002
<b>Notes Payable:</b>				
Bond Anticipation Notes, 4.375% 2/01 - 8/01	\$ 5,600,000	\$ 0	\$ (5,600,000)	\$ 0
Tax Anticipation Notes (Capital Related) - 3.4525%, 01/02 - 12/07	0	1,700,000	0	1,700,000
<b>Total Notes Payable</b>	<u>5,600,000</u>	<u>1,700,000</u>	<u>(5,600,000)</u>	<u>1,700,000</u>
<b>General Obligation Bonds:</b>				
School Buses Purchase Bonds, 5.00% 6/98 - 4/02	33,000	0	(33,000)	0
School Improvement Bonds - 1998, 3.75% - 5.125%, 4/98 - 12/22	14,019,986	0	(395,000)	13,624,986
School Improvement Bonds - 1999, 3.30% - 5.00%, 4/99 - 12/22	12,539,997	0	(250,000)	12,289,997
School Improvement Bonds - 2000, 4.25% - 5.75%, 4/00 - 12/22	2,205,000	0	(70,000)	2,135,000
Library Improvement Bonds - 2001, 3.00% - 5.15%, 12/01 - 12/22	5,600,000	0	(165,000)	5,435,000
Energy Conversation Improvement Bonds - 2001, 5.25%, 12/01 - 12/14	1,400,000	0	(100,000)	1,300,000
<b>Total General Obligation Bonds</b>	<u>35,797,983</u>	<u>0</u>	<u>(1,013,000)</u>	<u>34,784,983</u>
<b>Compensated Absences Payable</b>	3,014,615	3,715,741	(3,014,615)	3,715,741
<b>Early Retirement Incentive Payable</b>	0	1,807,903	0	1,807,903
<b>Intergovernmental Payable</b>	460,014	263,350	(460,014)	263,350
<b>Total General Long-Term Obligations</b>	<u>\$ 44,872,612</u>	<u>\$ 7,486,994</u>	<u>\$ (10,087,629)</u>	<u>\$ 42,271,977</u>

General obligation bonds will be paid from the debt service fund. Intergovernmental payables and compensated absences will be paid from the fund from which the employee is paid.

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

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (continued)**

Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30	Tax Anticipation Notes	School Improvement Bonds-1998	School Improvement Bonds-1999	School Improvement Bonds-2000	Library Improvement Bonds-2001	House Bill 264 Series 2001
2003	\$ 86,196	\$ 1,096,964	\$ 823,075	\$ 180,300	\$ 424,915	\$ 165,625
2004	333,261	1,097,282	837,000	181,855	428,870	160,375
2005	381,888	1,096,499	854,550	183,095	427,105	155,125
2006	384,117	1,094,593	870,660	179,155	429,860	149,875
2007	385,788	1,096,431	885,375	180,050	426,830	144,625
Thereafter	381,991	17,433,566	16,762,170	2,875,274	6,840,233	968,000
Total	1,953,241	22,915,335	21,032,830	3,779,729	8,977,813	1,743,625
Less Interest	(253,241)	(9,290,349)	(8,742,833)	(1,644,729)	(3,542,813)	(443,625)
Principal	\$ 1,700,000	\$ 13,624,986	\$ 12,289,997	\$ 2,135,000	\$ 5,435,000	\$ 1,300,000

The Library Improvement Bonds are conduit debt explained more fully in Note 12. All other bonds are backed by the full faith and credit of the District.

**NOTE 12 – CONDUIT DEBT OBLIGATIONS**

To provide for expansion and other permanent improvements at the Wadsworth Public Library, the District issued permanent improvement bonds. These bonds are special limited obligations of the District, payable solely from a tax levy passed by the voters of the Wadsworth City School District. The bonds do not constitute a debt or pledge of the faith and credit of the District. The bonds have been reported in the accompanying financial statements.

At June 30, 2002, Library Improvement Bonds outstanding totaled \$5,435,000.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains four enterprise funds: food service, uniform school supplies, vocational education customer service and adult/community education which are operated on a sales basis. The table below reflects the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 2002:

	Food Service	Uniform School Supplies	Vocational Education Service Center	Adult/ Community Education	Total
Operating revenues	\$ 887,717	\$ 18,486	\$ 178,936	\$ 7,091	\$ 1,092,230
Operating expenses before depreciation	1,006,399	15,120	136,512	5,827	1,163,858
Depreciation expense	28,410	0	0	0	28,410
Operating Income (Loss)	(147,092)	3,366	42,424	1,264	(100,038)
Operating grants	162,975	0	0	0	162,975
Net Income (Loss)	\$ 15,883	\$ 3,366	\$ 42,424	\$ 1,264	\$ 62,937
Net working capital	\$ (100,041)	\$ 12,959	\$ 34,341	\$ 14,231	\$ (38,510)
Total assets	\$ 342,848	\$ 12,959	\$ 48,558	\$ 14,231	\$ 418,596
Total equity	\$ 193,727	\$ 12,959	\$ 34,341	\$ 14,231	\$ 255,258
Encumbrances at June 30, 2002	\$ 18,532	\$ 6,049	\$ 15,162	\$ 450	\$ 40,193

**NOTE 14 – RETIREMENT PLANS**

School Employees Retirement System

The Wadsworth City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and Wadsworth City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Wadsworth City School District are established by and may be amended by the SERS Board of Trustees. The District's contributions to SERS for the years ending June 30, 2002, 2001, and 2000, were \$618,492, \$525,280 and \$460,553, respectively; 26.4% has been contributed for fiscal year 2002 and 100% for fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$319,224 is recorded as a liability within the respective funds and the general long-term obligations account group.

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 14 – RETIREMENT PLANS (continued)**

State Teachers Retirement System

The Wadsworth City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Wadsworth City School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Wadsworth City School District are established by and may be amended by the STRS Board of Trustees. The District's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$1,993,800, \$1,941,922, and \$1,844,393, respectively; 83.7% has been contributed for fiscal year 2002 and 100% for fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$345,040 is recorded as a liability within the respective funds.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide post retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate was 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000. The portion employer contributions that were used to fund postemployment benefits was \$499,377.

**WADSWORTH CITY SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)**

State Teachers Retirement System

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.256 million at June 30, 2001. For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**NOTE 16 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days. For certified employees, payment is made at the time of termination for thirty percent of a certified employee's accumulated sick leave up to 200 days, a benefit of up to 60 days. For classified employees, payment is made at the time of termination for 40% of a classified employee's accumulated sick leave up to 162 and one-half days, a benefit of up to 65 days. The amount of accumulated vacation and sick leave of employees paid from governmental funds that meets the eligibility requirements has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund when earned.

**NOTE 17 - CONSTRUCTION COMMITMENTS**

The following construction commitments at June 30, 2002 will be financed with capital project funds revenues:

<u>Project</u>	<u>Total Authorized Cost</u>	<u>Expended to June 30, 2002</u>	<u>Balance at June 30, 2002</u>
Central Intermediate	\$ 6,641,212	6,227,265	\$ 413,947
Art Wright Stadium South Field House	753,236	155,420	597,816
Art Wright Stadium North Parking Lot	104,217	0	104,217

**WADSWORTH CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATION**

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

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

**NOTE 19 - CONTINGENCIES**

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

Litigation

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

**NOTE 20 - SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school district as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**WADSWORTH CITY SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 20 - SCHOOL FUNDING DECISION (continued)**

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**NOTE 21 - REQUIRED BUDGET SET ASIDES**

The District is required by State statute to annually set aside an amount based on prior fiscal year revenues for the purpose of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. The requirements for establishment of a budget stabilization set aside has been deleted from law. The change places special conditions on any refunds or rebates from the Bureau of Workers' Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers' professional development. The District's Board, by appropriate Board resolution, has returned the balance of the set aside to the general fund.

The following information describes the changes in the amounts set aside for textbooks and instructional materials and capital improvements from the end of the prior fiscal year to the end of the current fiscal year.

	Textbook Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Set-Aside Cash Balance as of June 30, 2001	\$ 0	\$ 0	\$ 235,677	\$ 235,677
Set-Aside Carryover Balance as of June 30, 2001	(2,055,538)	0	0	(2,055,538)
Current Year Set-Aside Requirement	519,816	519,816	0	1,039,632
Qualifying Expenditures	<u>(1,122,076)</u>	<u>(7,102,953)</u>	<u>0</u>	<u>(8,225,029)</u>
Total	<u>\$ (2,657,798)</u>	<u>\$ (6,583,137)</u>	<u>\$ 235,677</u>	<u>\$ (6,949,720)</u>
Cash Balance Carried Forward FY 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 235,677</u>	
Amount Restricted for Set-Asides				<u>\$ 235,677</u>
Total Restricted Assets				<u>\$ 235,677</u>

Since the qualifying disbursements and offsets for the capital improvements set aside exceeded the fiscal year 2002 requirement, no amount will be carried forward to the next fiscal year. The District may use the negative amount in the textbooks/instructional materials set aside to reduce set aside requirements of future fiscal years.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 16, 2002

The Board of Education  
Wadsworth City School District  
Wadsworth, Ohio 44218

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

We have audited the general purpose financial statements of Wadsworth City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 16, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Wadsworth City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Wadsworth City School District in a separate letter dated October 16, 2002.

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

In planning and performing our audit, we considered Wadsworth City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Wadsworth City School District in a separate letter dated October 16, 2002.

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 16, 2002

The Board of Education  
Wadsworth City School District  
Wadsworth, Ohio 44218

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

### **Compliance**

We have audited the compliance of Wadsworth City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Wadsworth City 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 each of its major federal programs is the responsibility of Wadsworth City School District's management. Our responsibility is to express an opinion on Wadsworth City School District's compliance based on our audit.

We conducted our audit of compliance 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 Wadsworth City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wadsworth City School District's compliance with those requirements.

In our opinion, Wadsworth City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

We have audited the general purpose financial statements of Wadsworth City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 16, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Wadsworth City School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>					
Eisenhower Professional Development	84.281	MS-SI-02	17,210	9,605	0
Eisenhower Professional Development	84.281	MS-SI-01	0	5,885	0
Eisenhower Professional Development	84.281	MS-SI-00	(3,456)	1,305	0
Total Eisenhower Professional Development			13,754	16,795	0
Title VI	84.298	C2-SI-02	23,072	22,454	0
Title VI	84.298	C2-SI-01	0	464	0
Title VI	84.298	C2-SI-00	(226)	486	0
Title VI	84.298	C2-SI-99C	0	0	0
Total Title VI			22,846	23,404	0
Title I	84.010	C1-SI-02	297,602	285,506	0
Title I	84.010	C1-SI-01	(1,449)	9,248	0
Total Title I			296,153	294,754	0
Safe and Drug-Free Schools and Communities	84.186	DR-SI-02	16,200	12,305	0
Safe and Drug-Free Schools and Communities	84.186	DR-SI-01	0	0	0
Total Safe and Drug-Free Schools and Communities			16,200	12,305	0
Title VI-R	84.340	CR-SI-02	90,366	90,366	0
Title VI-R	84.340	CR-SI-01	0	4,865	0
Total Title VI-R			90,366	95,231	0
<i>Special Education Cluster</i>					
Title VI-B Flow Thru	84.027	6B-SF-2002P	251,747	248,595	0
Total Title VI-B Flow Thru			251,747	248,595	0
Preschool Grants	84.173	PG-SI-2002P	14,846	7,813	0
Preschool Grants	84.173	PG-SI-2001P	0	12,865	0
Preschool Grants	84.173	PG-SI-2000P	(654)	0	0
Total Preschool Grants			14,192	20,678	0
<i>Total Special Education Cluster</i>			265,939	269,273	0
Vocational Education	84.048		169,693	191,967	0
Vocational Education	84.048	VECPII-S01	28,779	1,062	0
Total Vocational Education			198,472	193,029	0
Ohio LPDC Phase III	44.974		7,500	5,493	0
Ohio LPDC Phase II	44.974		0	1,498	0
Total Ohio LPDC Phase II & III			7,500	6,991	0
Asst. Tech Infusion Project	17.324		2,367	2,367	0
Total Asst. Tech Infusion Project			2,367	2,367	0
Total Department of Education			913,597	914,149	0
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		39,363	0	39,363
School Breakfast Program (A)	10.553		9,881	9,881	0
National School Lunch Program (A)	10.555		146,813	146,813	0
Total Department of Agriculture: Nutrition Cluster			196,057	156,694	39,363
Total Federal Assistance			\$ 1,109,654	\$ 1,070,843	\$ 39,363

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.  
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2002**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I, CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

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

None were noted





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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**WADSWORTH CITY SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 2, 2003**