

CITY OF WADSWORTH, OHIO

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Honorable Mayor, City Auditor,
and Members of City Council
City of Wadsworth
120 Maple Street
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the City of Wadsworth, Medina County, prepared by James G. Zupka, C.P.A., Inc., for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 23, 2005

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**CITY OF WADSWORTH, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

The Honorable Betty Montgomery
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and the Income Tax special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for States and Local Governments*, which changed its accounting for capital assets, long-term liabilities, and long-term deferred assets, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005 on our consideration of the City of Wadsworth, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

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

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

March 3, 2005

City of Wadsworth, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The discussion and analysis of the City of Wadsworth financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

Using this Annual Financial Report

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

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

Reporting the City of Wadsworth as a Whole

Statement of Net Assets and Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2003"? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

- *The Statement of Net Assets.* This Statement (page 12) reports all assets and liabilities of the City as of December 31, 2003. The difference between total assets and total liabilities is reported as net assets. Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

- *The Statement of Activities.* This Statement (page 13) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2003. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

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

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

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

Reporting the City of Wadsworth's Most Significant Funds

Fund Financial Statements

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

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

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

The City of Wadsworth's Sewer Fund, Water Fund, Electric Fund and Sanitation Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 20 through 22.

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

The Vehicle Maintenance Fund, Health-Insurance Retention Fund and Liability Insurance Retention Fund are the City of Wadsworth's internal service funds.

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

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

Other Information

Notes to the Basic Financial Statements.

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

The City of Wadsworth as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wadsworth, assets exceed liabilities by \$40,229,861 in governmental activities and \$39,050,972 in business-type activities as of December 31, 2003. The largest portion of the City's net assets reflects its investment in capital assets (ie.; land, buildings, land improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Since the capital assets themselves are needed to provide services, they cannot be sold to pay liabilities. Net assets are presented in the following table:

TABLE 1
NET ASSETS

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Assets			
Current Assets	\$15,319,519	\$12,662,452	\$27,981,971
Capital Assets, Net	31,148,297	41,577,140	72,725,437
Total Assets	46,467,816	54,239,592	100,707,408
Liabilities			
Current and Other Liabilities	2,574,155	2,389,834	4,963,989
Non-Current Liabilities, Due Within One Year	741,555	918,662	1,660,217
Non-Current Liabilities, Due in More Than One Year	2,922,245	11,880,124	14,802,369
Total Liabilities	6,237,955	15,188,620	21,426,575
Net Assets			
Invested in Capital			
Assets, Net of Debt	28,724,668	30,003,685	58,728,353
Restricted	8,877,008	0	8,877,008
Unrestricted	2,628,185	9,047,287	11,675,472
Total Net Assets	\$40,229,861	\$39,050,972	\$79,280,833

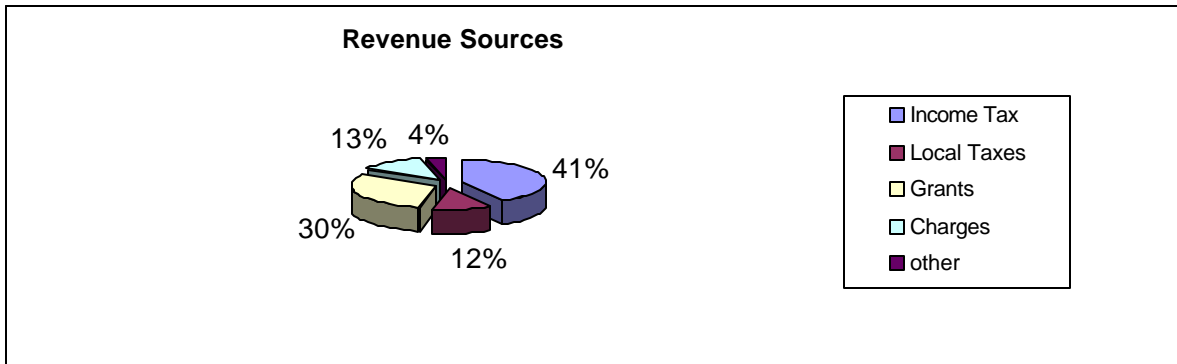
Table 2 below, indicates the changes in net assets for the year ended December 31, 2003. Since these are the first financial statements under GASB Statement No. 34, comparative data is not available for revenue and expenses for 2003 versus 2002. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues:			
Charges for Services	\$1,741,071	\$26,079,454	\$27,820,525
Operating Grants and Contributions	445,664	0	445,664
Capital Grants and Contributions	480,452	0	480,452
General Revenues:			
Taxes	7,155,452	0	7,155,452
Grants and Entitlements Not Restricted to Specific Programs	3,055,744	0	3,055,744
Investment Income	76,023	114,031	190,054
Other Income	431,895	34,075	465,970
Total Revenues	13,386,301	26,227,560	39,613,861
Expenses			
Program Expenses:			
General Government	3,437,464	0	3,437,464
Security of Persons and Property	4,914,431	0	4,914,431
Public Services	256	0	256
Public Health	210,533	0	210,533
Leisure Time Services	1,931,413	0	1,931,413
Community and Economic Development	666,141	0	666,141
Public Works	41,613	0	41,613
Transportation	2,183,987	0	2,183,987
Interest and Fiscal Charges	172,803	0	172,803
Electric	0	18,960,567	18,960,567
Sanitation	0	1,450,513	1,450,513
Sewer	0	2,266,394	2,266,394
Water	0	1,637,700	1,637,700
Total Expenses	13,558,641	24,315,174	37,873,815
Increase (Decrease) in Net Assets	(\$172,340)	\$1,912,386	\$1,740,046

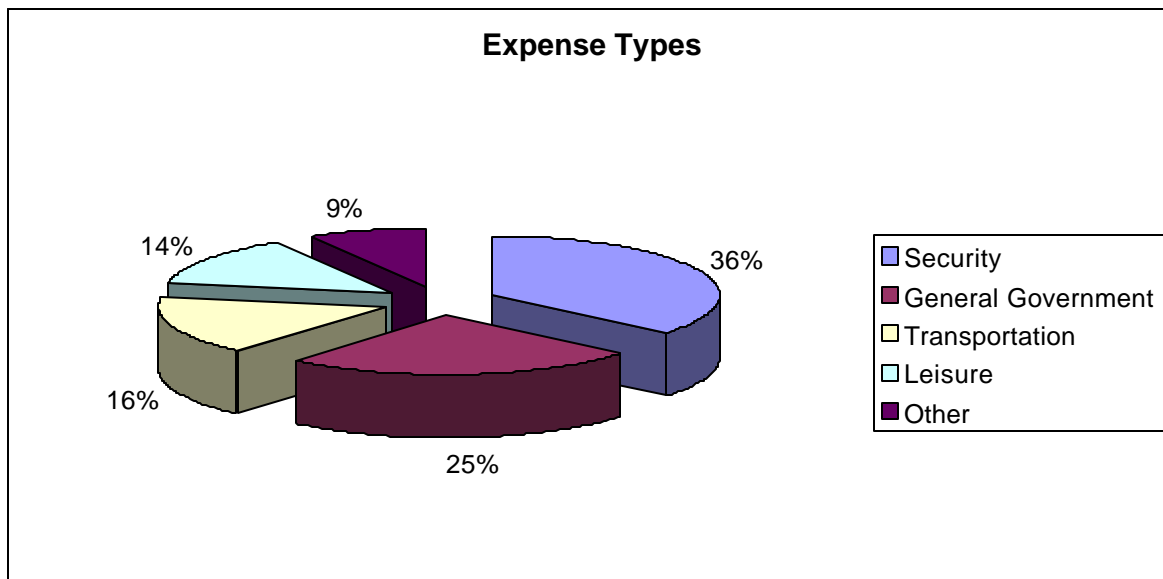
Governmental Activities

The City income tax is the largest contributor of revenue sources in government activities accounting for 41.85% of total revenues. Property and other local taxes generate 11.61% and grants and entitlements generate 29.75% of total revenues.



The City’s direct charges to users of governmental services represent 13.01% of total revenue. These charges are from fees for recreational activities, fines and forfeitures related to judicial activity and licenses and permits.

Security of Persons and Property account for 36.25% of governmental expenses, general government accounts for 25.35% of governmental expenses while transportation costs and leisure time activities represent 16.11% and 14.24% of governmental expenses respectively.



Business-Type Activities

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

Charges for services generated 99.44% of all revenues in the business-type activities.

Individual Funds Summary And Analysis

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,155,781, a decrease of \$898,895 in comparison with the prior year. Approximately 82.59% of this total amount of \$11,155,781 is available for spending at the government's discretion. The remainder of fund balance, if any, is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

The General Fund is the primary operating fund of the City of Wadsworth. At the end of the current year, the General Funds' unreserved balance was \$2,947,703, while the total fund balance was \$3,461,566. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38.35% of total General Fund expenditures, while total fund balance represents 45.04% of that same amount. The General Fund balance increased by \$83,614 or 2.48% over the prior year.

The Income Tax Fund receives all income tax revenue, expenses the dollars necessary and then distributes dollars as needed for operation of the General Fund, Recreation Fund, Street Fund and Capital Improvement. The needs of these funds exceeded revenues in Income Tax by \$988,457.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. Net assets in the Sewer, Water, Electric and Sanitation Fund increased \$224,934, (3.64%), \$414,085 (4.16%), \$1,049,759 (5.19%) and \$87,638 (11.40%), respectively.

Budgetary Highlights

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

There was no significant change from the original budget to the final budget. Actual General Fund property tax and other local tax collections were approximately \$250,041 under the budget. Interest earnings suffered again in 2003 as a result of record low interest rates.

Actual General Fund expenditures compared to the budget reflected approximately \$434,000 remaining in encumbered funds as of December 31, 2003. Security of persons and property which is largely the Police and Fire Department activity, accounted for \$236,000 of those encumbered funds and general government accounted for \$155,000.

Actual revenue collected in the City's Income Tax Fund was approximately \$134,000 less than the budgeted amount, while expenses remained constant. As a result the management cut expenses in the Funds supported by Income Tax.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$72,725,437 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; infrastructure work in progress; buildings; land improvements; vehicles; equipment; and infrastructure. The total increase in the City's investment in capital assets for the current year was 2.78% (0.86% increase for governmental activity and a 1.92% for business-type activity) (See Note 13).

Debt

At December 31, 2003, the City had a total debt of \$13,010,853 in long-term bonds, loans and other outstanding obligations, excluding compensated absences and intergovernmental payables. Details of individual obligations can be found on page 54. A large portion of this debt is revenue bonds and not a general obligation of the City.

The City also had short-term OWDA notes outstanding at December 31, 2003 totaling \$303,419.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 ORC). Certain debt with a repayment source other than general tax revenue, is excluded from this limitation. Under the definition, the City has approximately \$24,000 of net indebtedness as of December 31, 2003. The aggregate principal amount of unvoted net indebtedness may not exceed \$ 22,228,108.65, which is 5.5% of the assessed value of real and personal property. This leaves an available debt limit of \$22,204,108.65. The aggregate principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed \$ 42,435,480.15, which is 10.5% of the assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was \$1,322,909 leaving the City's overall legal debt margin at \$ 41,052,240.15 as of December 31, 2003. The City's Debt limit is the lesser of the two or \$22,204,108.65.

Economic Factors

The City's original budget for 2003 utilized conservative revenue estimates with limited increases in base operating costs. Expenditures were projected to exceed revenues in some of the funds, including the general fund. City Council decided they wanted to maintain current service levels to the residents of the City by utilizing reserve fund balances.

Original general fund revenues were projected to be 0.68% more than the actual receipts for 2003. This was due to a decrease in interest income because of the low interest rates on investments and uncertainty in the amount of actual municipal income taxes collected. General fund expenditures were originally budgeted at 8.40% more than 2003 actual expenditures. The net change fund balance after all activity was originally budgeted to decline 22.71%. The actual net change in fund balance was a decline of 6.76%.

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

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John P. Moss, Auditor, 120 Maple Street, Wadsworth, OH 44281, (330)335-2742, jmoss@wadsworthcity.org.

City of Wadsworth, Ohio
Medina County
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,456,066	\$3,867,285	\$13,323,351
Cash and Cash Equivalents in Segregated Accounts	10,939	0	10,939
Cash and Cash Equivalents with Fiscal Agents	69,706	957,793	1,027,499
Receivables:			
Taxes	3,157,530	0	3,157,530
Accounts	402,095	3,575,178	3,977,273
Accrued Interest	22,722	0	22,722
Intergovernmental	1,357,088	0	1,357,088
Special Assessments	722,578	0	722,578
Notes	10,113	0	10,113
Internal Balances	(176,774)	176,774	0
Materials and Supplies Inventory	212,543	462,133	674,676
Prepaid Items	74,913	54,049	128,962
Unamortized Bond Issue Costs	0	208,122	208,122
Investment in Joint Venture	0	3,361,118	3,361,118
Non-Depreciable Capital Assets	3,960,515	3,271,751	7,232,266
Depreciable Capital Assets, Net	27,187,782	38,305,389	65,493,171
<i>Total Assets</i>	<u>46,467,816</u>	<u>54,239,592</u>	<u>100,707,408</u>
Liabilities			
Accounts Payable	142,131	1,528,832	1,670,963
Accrued Wages and Benefits	150,170	266,805	416,975
Intergovernmental Payable	313,295	186,976	500,271
Matured Interest Payable	69,706	11,916	81,622
Accrued Interest Payable	13,531	26,956	40,487
Unamortized Premium on Bonds	0	64,930	64,930
Claims Payable	111,395	0	111,395
Deferred Revenue	1,773,927	0	1,773,927
Notes Payable	0	303,419	303,419
Noncurrent Liabilities:			
Due Within One Year	741,555	918,662	1,660,217
Due In More Than One Year	2,922,245	11,880,124	14,802,369
<i>Total Liabilities</i>	<u>6,237,955</u>	<u>15,188,620</u>	<u>21,426,575</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	28,724,668	30,003,685	58,728,353
Restricted for Debt Service	1,366,044	0	1,366,044
Restricted for Capital Projects	2,420,622	0	2,420,622
Restricted for Other Purposes	5,090,342	0	5,090,342
Unrestricted	2,628,185	9,047,287	11,675,472
<i>Total Net Assets</i>	<u>\$40,229,861</u>	<u>\$39,050,972</u>	<u>\$79,280,833</u>

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Activities
For the Fiscal Year Ended December 31, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$3,437,464	\$479,589	\$107,681	\$26,410	(\$2,823,784)	\$0	(\$2,823,784)
Security of Persons and Property	4,914,431	636,624	177,627	0	(4,100,180)	0	(4,100,180)
Public Services	256	24	10	0	(222)	0	(222)
Public Health	210,533	15,182	6,453	0	(188,898)	0	(188,898)
Leisure Time Services	1,931,413	460,768	144,609	0	(1,326,036)	0	(1,326,036)
Community and Economic Development	666,141	86,462	9,284	442,490	(127,905)	0	(127,905)
Public Works	41,613	56,286	0	11,552	26,225	0	26,225
Transportation	2,183,987	6,136	0	0	(2,177,851)	0	(2,177,851)
Interest and Fiscal Charges	172,803	0	0	0	(172,803)	0	(172,803)
<i>Total Governmental Activities</i>	<u>13,558,641</u>	<u>1,741,071</u>	<u>445,664</u>	<u>480,452</u>	<u>(10,891,454)</u>	<u>0</u>	<u>(10,891,454)</u>
Business-Type Activities							
Electric	18,960,567	20,015,839	0	0	0	1,055,272	1,055,272
Sanitation	1,450,513	1,527,144	0	0	0	76,631	76,631
Sewer	2,266,394	2,483,517	0	0	0	217,123	217,123
Water	1,637,700	2,052,954	0	0	0	415,254	415,254
<i>Total Business-Type Activities</i>	<u>24,315,174</u>	<u>26,079,454</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,764,280</u>	<u>1,764,280</u>
Totals	<u>\$37,873,815</u>	<u>\$27,820,525</u>	<u>\$445,664</u>	<u>\$480,452</u>	<u>(10,891,454)</u>	<u>1,764,280</u>	<u>(9,127,174)</u>
General Revenues:							
Property Taxes Levied For:							
General Purposes					740,979	0	740,979
Capital Projects					300,886	0	300,886
Special Revenue					511,826	0	511,826
Income Taxes					5,601,761	0	5,601,761
Grants and Entitlements not Restricted to Specific Programs					3,055,744	0	3,055,744
Investment Earnings					76,023	114,031	190,054
Other Income					431,895	34,075	465,970
<i>Total General Revenues</i>					<u>10,719,114</u>	<u>148,106</u>	<u>10,867,220</u>
Change in Net Assets					(172,340)	1,912,386	1,740,046
<i>Net Assets Beginning of Year</i>					<u>40,402,201</u>	<u>37,138,586</u>	<u>77,540,787</u>
<i>Net Assets End of Year</i>					<u>\$40,229,861</u>	<u>\$39,050,972</u>	<u>\$79,280,833</u>

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Balance Sheet
Governmental Funds
December 31, 2003

	General	Income Tax	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,951,037	\$371,835	\$5,938,115	\$9,260,987
Cash and Cash Equivalents in Segregated Accounts	10,939	0	0	10,939
Cash and Cash Equivalents With Fiscal Agents	0	0	69,706	69,706
Receivables:				
Taxes	848,373	1,286,788	1,022,369	3,157,530
Accounts	143,887	0	241,757	385,644
Interfund	469,100	0	0	469,100
Accrued Interest	22,722	0	0	22,722
Intergovernmental	485,017	0	872,071	1,357,088
Special Assessments	0	0	722,578	722,578
Interfund Notes	29,260	3,697	362,011	394,968
Notes	0	0	10,113	10,113
Materials and Supplies Inventory	1,575	0	186,844	188,419
Prepaid Items	56,990	319	17,604	74,913
<i>Total Assets</i>	<u>\$5,018,900</u>	<u>\$1,662,639</u>	<u>\$9,443,168</u>	<u>\$16,124,707</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$6,205	\$24,000	\$111,926	\$142,131
Accrued Wages and Benefits	101,990	1,664	46,516	150,170
Intergovernmental Payable	221,084	15,755	76,456	313,295
Matured Interest Payable	0	0	69,706	69,706
Accrued Interest Payable	0	0	4,812	4,812
Interfund Payable	0	0	469,100	469,100
Deferred Revenue	1,177,134	418,304	2,067,042	3,662,480
Compensated Absences Payable	50,921	446	26,620	77,987
Interfund Notes Payable	0	0	79,245	79,245
<i>Total Liabilities</i>	<u>1,557,334</u>	<u>460,169</u>	<u>2,951,423</u>	<u>4,968,926</u>
Fund Balances				
Reserved for Encumbrances	427,613	0	401,743	829,356
Reserved for Prepaid Items	56,990	319	17,604	74,913
Reserved for Interfund Notes	29,260	3,697	362,011	394,968
Reserved for Debt Service Principal	0	0	642,966	642,966
Unreserved, Undesignated, Reported in:				
General Fund	2,947,703	0	0	2,947,703
Special Revenue Funds	0	1,198,454	3,214,293	4,412,747
Capital Projects Funds	0	0	1,853,128	1,853,128
<i>Total Fund Balances</i>	<u>3,461,566</u>	<u>1,202,470</u>	<u>6,491,745</u>	<u>11,155,781</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,018,900</u>	<u>\$1,662,639</u>	<u>\$9,443,168</u>	<u>\$16,124,707</u>

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2003

Total Governmental Funds Balances \$11,155,781

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 30,960,192

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

Taxes	515,119
Intergovernmental	644,606
Grants	6,250
Special Assessments	<u>722,578</u>

Total 1,888,553

An internal service fund is used by management to charge the costs of insurance to individual funds, the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets 332,206

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,980,000)
Special Assessment Bonds	(24,000)
Compensated Absences	(1,446,847)
Pension Obligation	(27,280)
Police Past Service Costs	(107,686)
Internal Debt	(512,339)
Accrued Interest	<u>(8,719)</u>

Total (4,106,871)

Net Assets of Governmental Activities \$40,229,861

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2003

	General	Income Tax	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$738,488	\$0	\$972,783	\$1,711,271
Income Taxes	0	5,183,457	0	5,183,457
Special Assessments	0	0	148,562	148,562
Charges for Services	320,387	0	659,365	979,752
Licenses and Permits	401,086	0	175,707	576,793
Fines and Forfeitures	0	0	183,126	183,126
Intergovernmental	2,280,117	10,835	2,050,662	4,341,614
Interest	0	0	76,023	76,023
Rent	0	0	1,400	1,400
Contributions and Donations	3,373	0	1,971	5,344
Other	121,465	0	309,469	430,934
<i>Total Revenues</i>	<u>3,864,916</u>	<u>5,194,292</u>	<u>4,579,068</u>	<u>13,638,276</u>
Expenditures				
Current:				
General Government	2,776,777	354,749	149,797	3,281,323
Security of Persons and Property	3,747,678	0	1,394,426	5,142,104
Public Services	256	0	0	256
Public Health	163,279	0	997	164,276
Leisure Time Services	758,083	0	1,064,667	1,822,750
Community and Economic Development	225,102	0	428,715	653,817
Public Works	0	0	41,613	41,613
Transportation	0	0	2,116,587	2,116,587
Capital Outlay	8,300	0	770,364	778,664
Debt Service:				
Internal Bonds	0	0	89,370	89,370
Principal Retirement	1,610	0	292,000	293,610
Interest and Fiscal Charges	4,628	0	159,456	164,084
<i>Total Expenditures</i>	<u>7,685,713</u>	<u>354,749</u>	<u>6,507,992</u>	<u>14,548,454</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(3,820,797)</u>	<u>4,839,543</u>	<u>(1,928,924)</u>	<u>(910,178)</u>
Other Financing Sources (Uses)				
Transfers In	3,900,000	0	1,928,625	5,828,625
Proceeds of Internal Bonds	0	0	6,622	6,622
Proceeds from Sale of Capital Assets	4,661	0	0	4,661
Transfers Out	(250)	(5,828,000)	(375)	(5,828,625)
<i>Total Other Financing Sources (Uses)</i>	<u>3,904,411</u>	<u>(5,828,000)</u>	<u>1,934,872</u>	<u>11,283</u>
<i>Net Change in Fund Balances</i>	83,614	(988,457)	5,948	(898,895)
<i>Fund Balance Beginning of Year</i>	<u>3,377,952</u>	<u>2,190,927</u>	<u>6,485,797</u>	<u>12,054,676</u>
<i>Fund Balance End of Year</i>	<u>\$3,461,566</u>	<u>\$1,202,470</u>	<u>\$6,491,745</u>	<u>\$11,155,781</u>

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds (\$898,895)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 620,206

The net effect of various miscellaneous transactions involving capital assets (i.e. sales) is to decrease net assets. (3,700)

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

Property Taxes	(157,580)	
Income Taxes	418,304	
Intergovernmental	(65,309)	
Special Assessments	(144,953)	
Grants	<u>(303,398)</u>	(252,936)

Long-term note proceeds provide current financial resources to governmental funds, but, issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term note principal is an expenditure in the governmental funds, but, the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayment. 376,358

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

Interest and Fiscal Charges	(8,719)	
Compensated Absences	<u>(142,597)</u>	(151,316)

The internal service funds used by management to charge the costs of insurance and Workers' Compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 137,943

Change in Net Assets of Governmental Activities (\$172,340)

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$992,450	\$1,097,350	\$847,309	(\$250,041)
Charges for Services	201,290	232,514	226,668	(5,846)
Licenses and Permits	421,030	421,693	400,668	(21,025)
Intergovernmental	2,078,958	2,055,366	2,152,626	97,260
Interest	5,057	5,057	7,811	2,754
Contributions and Donations	3,100	6,000	3,373	(2,627)
Refunds	93,485	117,357	131,646	14,289
Other	475	475	151	(324)
Total Revenues	3,795,845	3,935,812	3,770,252	(165,560)
Expenditures				
Current:				
General Government	3,098,136	3,105,301	2,982,985	122,316
Security of Persons and Property	4,452,975	4,487,445	4,007,376	480,069
Public Services	1,148	1,148	358	790
Public Health	160,839	173,202	165,578	7,624
Leisure Time Services	882,855	878,455	790,257	88,198
Community and Economic Development	258,000	258,000	224,294	33,706
Capital Outlay	12,586	12,586	8,300	4,286
Debt Service:				
Principal Retirements	1,544	1,610	1,610	0
Interest and Fiscal Charges	4,720	4,654	4,628	26
Total Expenditures	8,872,803	8,922,401	8,185,386	737,015
Excess of Revenues Over (Under) Expenditures	(5,076,958)	(4,986,589)	(4,415,134)	571,455
Other Financing Sources (Uses)				
Transfers In	3,902,750	3,902,750	3,900,000	(2,750)
Proceeds from Sale of Capital Assets	0	0	4,661	4,661
Advances In	44,982	277,839	277,839	0
Transfers Out	(6,950)	(6,950)	(250)	6,700
Advances Out	0	(469,100)	(469,100)	0
Total Other Financing Sources (Uses)	3,940,782	3,704,539	3,713,150	8,611
Net Change in Fund Balance	(1,136,176)	(1,282,050)	(701,984)	580,066
Fund Balance at Beginning of Fiscal Year	2,722,123	2,722,123	2,722,123	0
Prior Fiscal Year Encumbrances Appropriated	517,888	517,888	517,888	0
Fund Balance at End of Fiscal Year	\$2,103,835	\$1,957,961	\$2,538,027	\$580,066

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
Income Tax
For the Fiscal Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$5,350,000	\$5,350,000	\$5,211,251	(\$138,749)
Intergovernmental	6,405	6,405	10,835	4,430
Refunds	0	24	24	0
Total Revenues	<u>5,356,405</u>	<u>5,356,429</u>	<u>5,222,110</u>	<u>(134,319)</u>
Expenditures				
Current:				
General Government	273,115	328,265	326,991	1,274
Capital Outlay	150	0	0	0
Total Expenditures	<u>273,265</u>	<u>328,265</u>	<u>326,991</u>	<u>1,274</u>
Excess of Revenues (Under) Expenditures	<u>5,083,140</u>	<u>5,028,164</u>	<u>4,895,119</u>	<u>(133,045)</u>
Other Financing Sources				
Transfers Out	<u>(5,828,000)</u>	<u>(5,828,000)</u>	<u>(5,828,000)</u>	<u>0</u>
Total Other Financing Sources	<u>(5,828,000)</u>	<u>(5,828,000)</u>	<u>(5,828,000)</u>	<u>0</u>
Net Change in Fund Balance	(744,860)	(799,836)	(932,881)	(133,045)
Fund Balance at Beginning of Fiscal Year	1,304,821	1,304,821	1,304,821	0
Prior Fiscal Year Encumbrances Appropriated	<u>3,066</u>	<u>3,066</u>	<u>3,066</u>	<u>0</u>
Fund Balance at End of Fiscal Year	<u><u>\$563,027</u></u>	<u><u>\$508,051</u></u>	<u><u>\$375,006</u></u>	<u><u>(\$133,045)</u></u>

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Sewer	Water	Electric	Sanitation	Totals	Governmental Activities - Internal Service Funds
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,425,170	\$643,994	\$1,269,047	\$529,074	\$3,867,285	\$350,891
Cash and Cash Equivalents with Fiscal Agents	0	11,916	945,877	0	957,793	0
Materials and Supplies Inventory	1,904	129,891	330,338	0	462,133	24,124
Receivables:						
Accounts	331,991	286,876	2,716,810	239,501	3,575,178	16,451
Interfund Notes	111,388	101,262	610,103	81,010	903,763	0
Prepaid Items	9,422	12,284	25,780	6,563	54,049	0
Total Current Assets	1,879,875	1,186,223	5,897,955	856,148	9,820,201	391,466
Noncurrent Assets:						
Unamortized Bond Issue Costs	0	0	208,122	0	208,122	0
Interfund Bonds Receivable	43,942	39,947	240,680	31,958	356,527	0
Investment in Joint Venture	0	0	3,361,118	0	3,361,118	0
Non-Depreciable Capital Assets	113,795	259,009	2,898,143	804	3,271,751	0
Depreciable Capital Assets, Net	5,275,591	9,835,781	22,664,683	529,334	38,305,389	188,105
Total Noncurrent Assets	5,433,328	10,134,737	29,372,746	562,096	45,502,907	188,105
Total Assets	7,313,203	11,320,960	35,270,701	1,418,244	55,323,108	579,571
Liabilities						
Current Liabilities:						
Accounts Payable	198,136	15,759	1,261,546	53,391	1,528,832	0
Accrued Wages and Benefits	35,267	21,400	105,069	105,069	266,805	0
Intergovernmental Payable	28,684	30,431	113,649	14,212	186,976	0
Matured Interest Payable	0	11,916	0	0	11,916	0
Accrued Interest Payable	0	4,138	20,756	2,062	26,956	0
Unamortized Premium on Bonds	0	0	64,930	0	64,930	0
Claims Payable	0	0	0	0	0	111,395
Interfund Notes Payable	0	571,900	411,336	236,250	1,219,486	0
Notes Payable	303,419	0	0	0	303,419	0
Compensated Absences Payable	92,118	81,695	281,031	43,818	498,662	0
Revenue Bonds Payable	0	0	420,000	0	420,000	0
Total Current Liabilities	657,624	737,239	2,678,317	454,802	4,527,982	111,395
Noncurrent Liabilities:						
Compensated Absences Payable - Net of Current Portion	256,067	214,409	823,283	107,198	1,400,957	0
Revenue Bonds Payable - Net of Current Portion	0	0	10,479,167	0	10,479,167	0
Total Noncurrent Liabilities	256,067	214,409	11,302,450	107,198	11,880,124	0
Total Liabilities	913,691	951,648	13,980,767	562,000	16,408,106	111,395
Net Assets						
Invested in Capital Assets, Net of Related Debt Unrestricted	5,085,966	10,094,790	14,663,659	530,138	30,374,553	188,105
	1,313,546	274,522	6,626,275	326,106	8,540,449	280,071
Total Net Assets	\$6,399,512	\$10,369,312	\$21,289,934	\$856,244	\$38,915,002	\$468,176
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					135,970	
Net Assets of Business-Type Activities					\$39,050,972	

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2003

	Sewer	Water	Electric	Sanitation	Totals	Governmental Activities - Internal Service Funds
Operating Revenues						
Charges for Services	\$2,483,517	\$2,052,954	\$20,015,839	\$1,527,144	\$26,079,454	\$2,504,822
Tap-In Fees	0	0	0	0	0	440
Other	0	0	34,075	0	34,075	0
<i>Total Operating Revenues</i>	<u>2,483,517</u>	<u>2,052,954</u>	<u>20,049,914</u>	<u>1,527,144</u>	<u>26,113,529</u>	<u>2,505,262</u>
Operating Expenses						
Personal Services	933,907	933,669	3,209,108	614,148	5,690,832	0
Operations and Maintenance	0	0	4,624	0	4,624	0
Contractual Services	981,468	142,015	11,860,697	715,283	13,699,463	195,759
Materials and Supplies	162,212	275,090	348,396	43,652	829,350	260,010
Claims	0	0	0	0	0	1,761,853
Depreciation	144,299	261,095	1,473,935	72,045	1,951,374	12,025
Capital Outlay	0	0	28,283	0	28,283	1,702
Other	0	530	1,122,031	0	1,122,561	0
<i>Total Operating Expenses</i>	<u>2,221,886</u>	<u>1,612,399</u>	<u>18,047,074</u>	<u>1,445,128</u>	<u>23,326,487</u>	<u>2,231,349</u>
<i>Operating Income (Loss)</i>	<u>261,631</u>	<u>440,555</u>	<u>2,002,840</u>	<u>82,016</u>	<u>2,787,042</u>	<u>273,913</u>
Non-Operating Revenues (Expenses)						
Interest	25,571	22,913	159,365	18,709	226,558	0
Investment in Joint Venture	0	0	(112,527)	0	(112,527)	0
Interest and Fiscal Charges	(39,395)	(44,211)	(347,250)	(13,087)	(443,943)	0
Loss on Disposal of Capital Assets	(22,873)	(5,172)	(652,669)	0	(680,714)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(36,697)</u>	<u>(26,470)</u>	<u>(953,081)</u>	<u>5,622</u>	<u>(1,010,626)</u>	<u>0</u>
<i>Change in Net Assets</i>	<u>224,934</u>	<u>414,085</u>	<u>1,049,759</u>	<u>87,638</u>	<u>1,776,416</u>	<u>273,913</u>
<i>Net Assets at Beginning of Year</i>	<u>6,174,578</u>	<u>9,955,227</u>	<u>20,240,175</u>	<u>768,606</u>		<u>194,263</u>
<i>Net Assets at End of Year</i>	<u>\$6,399,512</u>	<u>\$10,369,312</u>	<u>\$21,289,934</u>	<u>\$856,244</u>		<u>\$468,176</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise					135,970	
Change in Net Assets of Business-Type Activities					<u>\$1,912,386</u>	

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio
Medina County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Enterprise Funds				Total Enterprise Funds	Governmental Activity
	Sewer	Water	Electric	Sanitation		Internal Service Funds
Cash Flows from Operating Activities						
Cash Received from Customers	\$2,458,165	\$2,073,402	\$20,086,399	\$1,521,671	\$26,139,637	\$2,489,757
Cash Payments to Employees for Services	(1,004,726)	(1,143,370)	(4,679,857)	(556,970)	(7,384,923)	(4,440)
Cash Payments for Goods and Services	(947,887)	(384,574)	(10,968,737)	(760,018)	(13,061,216)	(456,827)
Cash Payments for Claims	0	0	0	0	0	(1,880,631)
Other Operating Revenues	0	0	34,075	0	34,075	0
Intergovernmental Expenses	0	(530)	(1,122,031)	0	(1,122,561)	0
Net Cash Provided by (Used for) Operating Activities	505,552	544,928	3,349,849	204,683	4,605,012	147,859
Cash Flows from Noncapital Financing Activities						
Interfund Notes Receivable	(111,388)	(101,262)	(610,103)	(81,010)	(903,763)	0
Interfund Notes Receivable Repaid from Other Funds	142,435	129,616	777,696	103,503	1,153,250	0
Interfund Bond Receivable	(43,942)	(39,947)	(240,680)	(31,958)	(356,527)	0
Proceeds of Internal Notes	0	571,900	411,336	236,250	1,219,486	0
Repayment of Internal Notes	0	(656,055)	(362,200)	(275,625)	(1,293,880)	0
Net Cash Provided by Noncapital Financing Activities	(12,895)	(95,748)	(23,951)	(48,840)	(181,434)	0
Cash Flows from Capital and Related Financing Activities						
Acquisition of Capital Assets	(201,799)	(660,670)	(3,132,388)	(15,564)	(4,010,421)	0
Gain on Sale of Capital Assets	0	0	18,530	0	18,530	0
Proceeds from Sale of Capital Assets	127	0	0	0	127	0
Principal Payments	(284,436)	(170,000)	(412,833)	0	(867,269)	0
Interest Payments	(39,395)	(41,330)	(514,266)	(11,025)	(606,016)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	(525,503)	(872,000)	(4,040,957)	(26,589)	(5,465,049)	0
Cash Flows from Investing Activities						
Interest on Investments	25,571	22,913	156,584	18,709	223,777	0
Net Increase (Decrease) in Cash and Cash Equivalents	(7,275)	(399,907)	(558,475)	147,963	(817,694)	147,859
Cash and Cash Equivalents Beginning of Year	1,432,445	1,043,901	1,827,522	381,111	4,684,979	203,032
Cash and Cash Equivalents End of Year	<u>\$1,425,170</u>	<u>\$643,994</u>	<u>\$1,269,047</u>	<u>\$529,074</u>	<u>\$3,867,285</u>	<u>\$350,891</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating Income (Loss)	\$261,631	\$440,555	\$2,002,840	\$82,016	\$2,787,042	\$273,913
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Depreciation	144,299	261,095	1,473,935	72,045	1,951,374	12,025
(Increase) Decrease in Operating Assets:						
Accounts Receivable	(25,352)	19,044	70,560	(5,522)	58,730	(15,505)
Intergovernmental Receivable	0	1,404	0	0	1,404	0
Prepaid Items	(2,450)	(3,501)	(6,197)	(1,531)	(13,679)	1,487
Materials and Supplies Inventory	107	30,335	64,290	0	94,732	0
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	135,646	(147,509)	90,669	(21)	78,785	(5,283)
Accrued Wages and Benefits	15,669	2,016	18,167	95,722	131,574	0
Compensated Absences Payable	(14,231)	(46,032)	(310,874)	(30,743)	(401,880)	0
Intergovernmental Payable	(9,767)	(12,479)	(53,541)	(7,283)	(83,070)	0
Claims Payable	0	0	0	0	0	(118,778)
Total Adjustments	243,921	104,373	1,347,009	122,667	1,817,970	(126,054)
Net Cash Provided by (Used for) Operating Activities	<u>\$505,552</u>	<u>\$544,928</u>	<u>\$3,349,849</u>	<u>\$204,683</u>	<u>\$4,605,012</u>	<u>\$147,859</u>

See accompanying notes to the basic financial statements

City of Wadsworth, Ohio
Medina County
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2003

	<u>Agency</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$52,519
Cash and Cash Equivalents in Segregated Accounts	694,870
Accounts Receivable	<u>31,096</u>
Total Current Assets	<u>778,485</u>
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>280,883</u>
Total Noncurrent Assets	<u>280,883</u>
<i>Total Assets</i>	<u><u>\$1,059,368</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$20,769
Undistributed Monies	82,169
Retainage Payable	<u>675,547</u>
Total Current Liabilities	<u>778,485</u>
Current Liabilities Payable From Restricted Assets:	
Refundable Deposits	<u>280,883</u>
<i>Total Liabilities</i>	<u><u>\$1,059,368</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

The City is associated with the Ohio Municipal Electric Generation Agency Joint Venture 1, 2 and 5 and the Woodlawn Union Cemetery, all of which are joint ventures. The City is also associated with the Municipal Energy Services Agency which is defined as a jointly governed organization. These organizations are presented in Notes 22 and 23.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *Basis Of Presentation*

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Sanitation Enterprise Fund - The sanitation enterprise fund is used to account for the charges for services fees collected for residential and commercial trash services provided to City residents.

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

Fiduciary Funds

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

C. *Measurement Focus*

Government-wide Financial Statements

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

Fund Financial Statements

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetaries

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

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

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The Certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official Certificate of Estimated Resources issued during 2003.

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

F. *Cash, Cash Equivalents and Investments*

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

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. During the year 2003, interest revenue credited to the sewer fund, water fund, electric fund and sanitation fund amounted to \$25,571, \$22,913, \$159,365 and \$18,709, which includes \$135,256 assigned from the City funds.

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

G. *Interfund Balances*

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

H. *Inventory*

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

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

I. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

L. Accrued and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

N. Net Assets

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

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

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. The City had no transfers of this type.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. *Estimates*

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

For 2003, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”; GASB Statement No. 38, “Certain Financial Statement Note Disclosures”; and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The basic financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the City’s programs between governmental activities and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management’s Discussion and Analysis. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

In addition, in 2002 the City of Wadsworth inadvertently reported a grant receivable and had matured compensated absences, intergovernmental revenue and taxes receivable that were not reported.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR
FUND EQUITY (continued)**

	General Fund	Income Tax	Nonmajor Government Funds	Total Governmental Activities
Fund Balance at December 31, 2002	<u>\$3,447,690</u>	<u>\$2,190,927</u>	<u>\$6,485,797</u>	<u>\$12,124,414</u>
Fund Balance, December 31, 2002				\$12,124,414
Grants Receivable				(186,803)
Compensated Absences				(69,738)
Intergovernmental and Taxes				709,915
GASB Statement No. 34 Adjustments:				
Long-Term (Deferred) Assets				1,618,377
Capital Assets				30,343,686
Internal Service Reclassified to Governmental				194,263
Long-Term Liabilities				<u>(4,331,913)</u>
Governmental Activities Net Assets, December 31, 2002				<u>\$40,402,201</u>

Capital Assets, Investment in Joint Venture and Compensated Absences were misstated in the Enterprise Funds as of December 31, 2002. This restatement had the following effect on fund equity as it was previously reported:

	Sewer	Water	Electric	Sanitation	Total Enterprise
Fund Equity, December 31, 2002	\$11,359,455	\$10,283,175	\$18,217,901	\$777,118	\$40,637,649
Capital Assets	(5,184,877)	(327,948)	729,396	(8,512)	(4,791,941)
Investment in Joint Venture	0	0	1,325,012	0	1,325,012
Compensated Absences	0	0	(32,134)	0	(32,134)
Adjusted Net Assets, December 31, 2002	<u>\$6,174,578</u>	<u>\$9,955,227</u>	<u>\$20,240,175</u>	<u>\$768,606</u>	<u>\$37,138,586</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

Net Changes in Fund Balance

	General Fund	Income Tax Fund
GAAP Basis	\$83,614	(\$988,457)
Net Adjustment for Revenue Accruals	183,175	27,818
Net Adjustment for Expenditure Accruals	(1,402,590)	27,233
Encumbrances	433,817	525
Budget Basis	<u>(\$701,984)</u>	<u>(\$932,881)</u>

**CITY OF WADSWORTH, OHIO
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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 5 – ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

The following funds had a deficit in fund balance at December 31, 2003:

Fund	Deficit
Capital Project Funds	
Special Assessments	(\$15,807)
Telephone Equipment	(518)

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

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits - At year end, the carrying amount of the City’s deposits was \$2,705,007 and the bank balance was \$3,336,544. Of the bank balance:

1. \$908,921 was covered by federal depository insurance; and
2. \$2,427,623 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments - City investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or its agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City’s name. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

At year end, the City’s investment balances were as follows:

	Category 3	Fair Value
Overnight Repurchase Agreements	\$1,192,713	\$1,192,713
Federal Agency Securities	3,998,418	3,998,418
	<u>\$5,191,131</u>	
STAR Ohio		7,493,924
Total Investments		<u>\$12,685,055</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”. A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$15,390,061	\$0
Investments of Cash Management Pool:		
FNMA	(2,986,038)	2,986,038
GNMA	(15,780)	15,780
Overnight Repurchase Agreements	(1,192,713)	1,192,713
STAR Ohio	(7,493,923)	7,493,924
FHLMC	(996,600)	996,600
GASB Statement No. 3	\$2,705,007	\$12,685,055

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services, rents and royalties), special assessments, accrued interest, notes and intergovernmental receivables arising from grants, entitlements and shared revenues. Accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

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

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35% of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25% of true value.

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 8 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2003, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$284,172,850	70.32%
Commercial/Industrial/Mineral	73,210,170	18.11%
Public Utilities	5,560	0.00%
Tangible Personal Property Valuation:		
General	43,654,420	10.80%
Public Utilities	3,104,430	0.77%
Total Valuation	<u>\$404,147,430</u>	<u>100.00%</u>

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

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

NOTE 9 - INCOME TAX

The City levies and collects an income tax of 1.3% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit for the tax paid to another municipality to offset up to 1.0% of the total rate. Residents are required to remit the remaining .3% to the City's tax collection agency. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2003 received 60 days after year-end have been recognized as revenue in 2003.

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

Income tax revenues are distributed, as needed, to the various funds of the City pursuant to Council ordinance. In 2003 income tax revenue was distributed to the following funds: General; Recreation; Street; Capital Improvement; and City Hall.

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 10 - NOTES RECEIVABLE

In previous years, the City made development loans from their revolving loan fund. The amount of notes receivable at December 31, 2003 is as follows:

	Balance 01/01/2003	Additions	Retirements	Balance 12/31/2003
Revolving Loan Fund Rate 5%	\$19,537	\$0	(\$9,424)	\$10,113

NOTE 11 - SPECIAL ASSESSMENTS

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

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

NOTE 12 - RISK MANAGEMENT

A. Liability Insurance

The City is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the City has addressed these various types of risk.

B. Workers’ Compensation

The City pays the State Workers’ Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 12 - RISK MANAGEMENT (continued)

C. Employee Health Insurance

The City has elected to provide employee medical, prescription and dental benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200 family and \$100 single deductible. A third party administrator, CoreSource, located in Westerville, Ohio, reviews all claims which are then paid by the City. The City purchases stop-loss coverage of \$100,000 per employee and \$2,144,382 in the aggregate. The City pays into the self-insurance internal service fund, \$9,253 family coverage per year for full-time employees. Individual coverage costs \$3,968 per year for full-time employees. The premium is paid by the fund that pays the salary for the employee. Dental coverage is also provided on a self-insured basis through CoreSource. Premiums for this coverage are included in the premiums listed above for family and single coverage.

The City also provides prescription drug insurance to its employees through a self-insured program. The plan pays the cost of prescriptions with the employee paying a co-payment of \$5.00 for generic drugs and \$8.00 for brand name drugs per prescription. The third party administrator, Paid Prescriptions, reviews the claims, which are then paid by the City. The premium for this coverage is included in the medical plan premium amounts stated above.

The claims liability of \$111,395 reported in the self-insurance internal service fund at December 31, 2003 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Services" which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. A summary of the fund's claims liability during the past two years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$244,642	\$1,801,572	(\$1,816,041)	\$230,173
2003	\$230,173	\$1,761,853	(\$1,880,631)	\$111,395

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 13 – CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to the implementation of GASB Statement No. 34.

	Balance 01/01/2003	Restatements 01/01/2003	Restated Beginning Balance 01/01/2003
Governmental Activities			
Capital Assets, Not Being Depreciated:			
Land	\$4,422,412	(\$509,897)	\$3,912,515
Construction in Progress	1,159,052	0	1,159,052
Total Capital Assets, Not Being Depreciated	<u>5,581,464</u>	<u>(509,897)</u>	<u>5,071,567</u>
Capital Assets, Being Depreciated:			
Buildings	6,644,213	(1,684)	6,642,529
Land Improvements	0	1,518,679	1,518,679
Vehicles	3,550,726	1,498	3,552,224
Equipment	1,795,815	(9,842)	1,785,973
Infrastructure	0	22,320,762	22,320,762
Total Capital Assets, Being Depreciated	<u>11,990,754</u>	<u>23,829,413</u>	<u>35,820,167</u>
Less Accumulated Depreciation:			
Buildings	(77,247)	(2,146,052)	(2,223,299)
Land Improvements	0	(560,864)	(560,864)
Vehicles	(12,267)	(1,900,337)	(1,912,604)
Equipment	(26,647)	(927,009)	(953,656)
Infrastructure	0	(4,697,495)	(4,697,495)
Total Accumulated Depreciation	<u>(116,161)</u>	<u>(10,231,757)</u>	<u>(10,347,918)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,874,593</u>	<u>13,597,656</u>	<u>25,472,249</u>
Governmental Activities Capital Assets, Net	<u>\$17,456,057</u>	<u>\$13,087,759</u>	<u>\$30,543,816</u>

	Restated Beginning Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$3,912,515	\$48,000	\$0	\$3,960,515
Construction in Progress	1,159,052	0	(1,159,052)	0
Total Capital Assets, Not Being Depreciated	<u>5,071,567</u>	<u>48,000</u>	<u>(1,159,052)</u>	<u>3,960,515</u>

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 13 – CAPITAL ASSETS (continued)

	Restated Beginning Balance <u>01/01/2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2003</u>
Capital Assets, Being Depreciated:				
Buildings	6,642,529	963,839	0	7,606,368
Land Improvements	1,518,679	925	0	1,519,604
Vehicles	3,552,224	106,359	(34,350)	3,624,233
Equipment	1,785,973	211,617	(29,500)	1,968,090
Infrastructure	<u>22,320,762</u>	<u>1,476,617</u>	<u>0</u>	<u>23,797,379</u>
Total Capital Assets, Being Depreciated	<u>35,820,167</u>	<u>2,759,357</u>	<u>(63,850)</u>	<u>38,515,674</u>
Less Accumulated Depreciation:				
Buildings	(2,223,299)	(181,104)	0	(2,404,403)
Land Improvements	(560,864)	(35,032)	0	(595,896)
Vehicles	(1,912,604)	(221,845)	33,150	(2,101,299)
Equipment	(953,656)	(151,164)	27,000	(1,077,820)
Infrastructure	<u>(4,697,495)</u>	<u>(450,979)</u>	<u>0</u>	<u>(5,148,474)</u>
Total Accumulated Depreciation	<u>(10,347,918)</u>	<u>(1,040,124)</u>	<u>60,150</u>	<u>(11,327,892)</u>
Total Capital Assets, Being Depreciated, Net	<u>25,472,249</u>	<u>1,719,233</u>	<u>(3,700)</u>	<u>27,187,782</u>
Governmental Activities Capital Assets, Net	<u>\$30,543,816</u>	<u>\$1,767,233</u>	<u>(\$1,162,752)</u>	<u>\$31,148,297</u>

	Balance <u>01/01/2003</u>	Restatements <u>01/01/2003</u>	Restated Beginning Balance <u>01/01/2003</u>
Business-Type Activities			
Capital Assets, Not Being Depreciated:			
Land	\$482,260	\$0	\$482,260
Construction in Progress	120,594	0	120,594
Infrastructure Work in Progress	<u>3,838,964</u>	<u>(2,788,826)</u>	<u>1,050,138</u>
Total Capital Assets, Not Being Depreciated	<u>4,441,818</u>	<u>(2,788,826)</u>	<u>1,652,992</u>

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 13 – CAPITAL ASSETS (continued)

	Balance 01/01/2003	Restatements 01/01/2003	Restated Beginning Balance 01/01/2003
Capital Assets, Being Depreciated:			
Buildings	6,643,194	(194)	6,643,000
Land Improvements	7,258	0	7,258
Vehicles	3,572,854	(1,521)	3,571,333
Equipment	1,468,297	0	1,468,297
Infrastructure	<u>52,135,371</u>	<u>(2,894,356)</u>	<u>49,241,015</u>
Total Capital Assets, Being Depreciated	<u>63,826,974</u>	<u>(2,896,071)</u>	<u>60,930,903</u>
Less Accumulated Depreciation:			
Buildings	(3,133,782)	0	(3,133,782)
Land Improvements	(363)	0	(363)
Vehicles	(2,040,501)	43,595	(1,996,906)
Equipment	(693,546)	5,526	(688,020)
Infrastructure	<u>(17,391,195)</u>	<u>843,835</u>	<u>(16,547,360)</u>
Total Accumulated Depreciation	<u>(23,259,387)</u>	<u>892,956</u>	<u>(22,366,431)</u>
Total Capital Assets, Being Depreciated, Net	<u>40,567,587</u>	<u>(2,003,115)</u>	<u>38,564,472</u>
Business-Type Activities Capital Assets, Net	<u>\$45,009,405</u>	<u>(\$4,791,941)</u>	<u>\$40,217,464</u>

	Restated Beginning Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$482,260	\$0	\$0	\$482,260
Construction in Progress	120,594	80,000	(120,594)	80,000
Infrastructure Work in Progress	<u>1,050,138</u>	<u>2,039,504</u>	<u>(380,151)</u>	<u>2,709,491</u>
Total Capital Assets, Not Being Depreciated	<u>1,652,992</u>	<u>2,119,504</u>	<u>(500,745)</u>	<u>3,271,751</u>

**CITY OF WADSWORTH, OHIO
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NOTE 13 – CAPITAL ASSETS (continued)

	Restated Beginning Balance <u>01/01/2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2003</u>
Capital Assets, Being Depreciated:				
Buildings	6,643,000	3,860	0	6,646,860
Land Improvements	7,258	0	0	7,258
Vehicles	3,571,333	167,244	(281,425)	3,457,152
Equipment	1,468,297	94,068	(8,196)	1,554,169
Infrastructure	<u>49,241,015</u>	<u>1,625,745</u>	<u>(342,300)</u>	<u>50,524,460</u>
Total Capital Assets, Being Depreciated	<u>60,930,903</u>	<u>1,890,917</u>	<u>(631,921)</u>	<u>62,189,899</u>
Less Accumulated Depreciation:				
Buildings	(3,133,781)	(132,617)	0	(3,266,398)
Land Improvements	(363)	(363)	0	(726)
Vehicles	(1,996,907)	(286,565)	230,429	(2,053,043)
Equipment	(688,020)	(87,117)	5,583	(769,554)
Infrastructure	<u>(16,547,360)</u>	<u>(1,444,712)</u>	<u>197,283</u>	<u>(17,794,789)</u>
Total Accumulated Depreciation	<u>(22,366,431)</u>	<u>(1,951,374)</u>	<u>433,295</u>	<u>(23,884,510)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,564,472</u>	<u>(60,457)</u>	<u>(198,626)</u>	<u>38,305,389</u>
Business-Type Activities Capital Assets, Net	<u>\$40,217,464</u>	<u>\$2,059,047</u>	<u>(\$699,371)</u>	<u>\$41,577,140</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$182,995
Security of Persons and Property	599,830
Public Health and Welfare	45,180
Transportation	116,204
Leisure Time Activities	<u>95,915</u>
Total	<u>\$1,040,124</u>

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. *Public Employees Retirement System*

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

Plan members are required to contribute 8.50% of their annual covered salary to fund pension benefit obligations. The City is required to contribute 13.55%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to the OPERS for the years ending December 31, 2003, 2002 and 2001 were \$976,036, \$830,337 and \$804,407, respectively, equal to the required contributions for each year. 63.10% has been contributed for 2003.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City's contributions for pension obligations to the OP&F Ohio for the years ending December 31, 2003, 2002 and 2001 were \$300,871, \$286,487 and \$276,543, respectively, equal to the required contributions for each year. 60.26% has been contributed for 2003.

C. Social Security System

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

NOTE 15 – POST EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

**CITY OF WADSWORTH, OHIO
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NOTE 15 – POST EMPLOYMENT BENEFITS (continued)

OPERS provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, “Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers”. A portion of each employer’s contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.55% of covered payroll; 5.0% was the portion that was used to fund health care for the year 2003. The City’s actual contributions for 2003 which were used to fund post-employment benefits were \$570,781.

The assumptions and calculations below were based on OPERS’s latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.0%, an annual increase in active employee total payroll of 4.0% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll over and above the 4.0% base increase of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.0% annually.

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

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

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

At year end 2003, the number of active contributing participants was 364,881. The actual contribution and the actuarially required contribution amounts are the same. OPERS’s net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December, 2001, the Board adopted the Health Care “Choices” Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present plan.

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NOTE 15 – POST EMPLOYMENT BENEFITS (continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending “Choices” type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F Ohio shall be included in the employer’s contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The City’s actual contributions for 2003 which were used to fund post-employment benefits were \$119,577.

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.5% and 7.75% of covered payroll in 2002 and 2003, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The number of participants eligible statewide to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for police officers and 10,396 for firefighters. The OP&F Ohio’s total health care expense for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,066, which was net of member contributions of \$12,623,875.

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 16 - COMPENSATED ABSENCES

City employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Accumulated, unused sick leave is paid to a retiring employee up to a maximum of 160 days. As of December 31, 2003, the City's liability for compensated absences was \$1,524,831 for governmental activities and \$1,899,619 for business-type activities.

NOTE 17 – SHORT-TERM OBLIGATIONS

Changes in the short-term obligations of the City during 2003 were as follows:

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
Business-Type Activities				
<u>OWDA Loan</u>				
OWDA Loan from Medina County 6.65%, Due through 2005	\$587,855	\$0	(\$284,436)	\$303,419

NOTE 18 – LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the City during 2003 were as follows:

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003	Amount Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
1997 City Hall Construction 3,500,000 8.00%, Due through 2009	\$2,260,000	\$0	(\$280,000)	\$1,980,000	\$295,000
<u>Special Assessment Bonds:</u>					
1986 Downtown Sidewalk Improvement 228,000 9.25%, Due through 2005	36,000	0	(12,000)	24,000	12,000
<u>Other Long-Term Obligations</u>					
1968 Liability for Police Past Service Cost 124,769 2.36%, Due through 2034	109,296	0	(1,610)	107,686	1,679
Total Governmental Activities	<u>\$2,405,296</u>	<u>\$0</u>	<u>(\$293,610)</u>	<u>\$2,111,686</u>	<u>\$308,679</u>

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 18 – LONG-TERM OBLIGATIONS (continued)

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003	Amount Due in One Year
Business-Type Activities:					
<u>General Obligation Bonds:</u>					
1983 Water Treatment Plant - 2,385,000					
8.875%, Due through 2003	\$170,000	\$0	(\$170,000)	\$0	\$0
<u>Revenue Bonds:</u>					
2000 American Municipal Power - Ohio					
11,645,000 - 1.65-5.25%, Due through 2022	11,312,000	0	(412,833)	10,899,167	420,000
Total Business-Type Activities	<u>\$11,482,000</u>	<u>\$0</u>	<u>(\$582,833)</u>	<u>\$10,899,167</u>	<u>\$420,000</u>

Long-term liability activity for the year ended December 31, 2003 was as follows:

	Restated Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003	Amount Due in One Year
Governmental Activities:					
General Obligation Bonds	\$2,260,000	\$0	(\$280,000)	\$1,980,000	\$295,000
Special Assessment Bonds	36,000	0	(12,000)	24,000	12,000
Liability for Police Past					
Service Cost	109,296	0	(1,610)	107,686	1,679
Total Long-Term Debt	<u>2,405,296</u>	<u>0</u>	<u>(293,610)</u>	<u>2,111,686</u>	<u>308,679</u>
Intergovernmental Payable	23,700	3,583	0	27,283	3,283
Compensated Absences	1,377,568	147,263	0	1,524,831	429,593
Governmental Activities - Long-Term Liabilities	<u>\$3,806,564</u>	<u>\$150,846</u>	<u>(\$293,610)</u>	<u>\$3,663,800</u>	<u>\$741,555</u>
Business-Type Activities:					
General Obligation Bonds	\$170,000	\$0	(\$170,000)	\$0	\$0
Revenue Bonds	11,312,000	0	(412,833)	10,899,167	420,000
Compensated Absences	2,356,739	0	(457,120)	1,899,619	498,662
Business-Type - Long-Term Liabilities	<u>\$13,838,739</u>	<u>\$0</u>	<u>(\$1,039,953)</u>	<u>\$12,798,786</u>	<u>\$918,662</u>

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 18 – LONG-TERM OBLIGATIONS (continued)

On March 1, 2002, the City of Wadsworth and American Municipal Power-Ohio, Inc. (AMP-Ohio) amended and restated a loan agreement. In accordance with the agreement, AMP-Ohio issued \$11,645,000 of bonds and loaned the proceeds received from the bonds to the City. The loan proceeds were used to:

1. Refinance notes originally issued to pay the cost of financing the construction and installation of various capital improvements for the municipal electric utility and the telecommunications system of the City;
2. Providing funds for additional improvements to the telecommunications system;
3. Fund a debt service reserve fund; and
4. Pay the costs of issuance of the 2002 bonds.

Special assessment bonds are those which have been issued to fund various improvements within the City. A portion of these costs have been passed along to the property owners benefiting from the improvements. Generally, the property owners have the choice of paying their assessed portion in one sum at the inception of the project or in installments over a period of years, with interest. The City, however, remains fully liable for any debt associated with delinquent property assessments.

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

The annual requirements to amortize all long-term debt outstanding as of December 31, 2003, including interest payments of \$6,404,116, are as follows:

**CITY OF WADSWORTH, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 18 – LONG-TERM OBLIGATIONS (continued)

Year Ending December 31,	Governmental Activities						Business-Type Activities	
	Police Past Service Cost		General Obligations		Special Assessments		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$1,679	\$4,559	\$295,000	\$93,248	\$12,000	\$2,220	\$420,000	\$506,750
2005	1,752	4,486	305,000	79,825	12,000	1,110	420,000	496,155
2006	1,827	4,411	320,000	65,795	0	0	430,000	483,503
2007	1,905	4,333	335,000	50,915	0	0	445,000	468,943
2008	1,987	4,251	355,000	35,170	0	0	460,000	452,645
2009 - 2013	11,290	19,900	370,000	18,130	0	0	2,575,000	1,966,951
2014 - 2018	13,933	17,257	0	0	0	0	3,260,000	1,256,844
2019 - 2023	17,194	13,996	0	0	0	0	2,889,167	337,375
2024 - 2028	21,218	9,972	0	0	0	0	0	0
2029 - 2033	26,184	5,006	0	0	0	0	0	0
2034 - 2035	8,717	366	0	0	0	0	0	0
Total	\$107,686	\$88,537	\$1,980,000	\$343,083	\$24,000	\$3,330	\$10,899,167	\$5,969,166

NOTE 19 - CONTINGENT LIABILITIES

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

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

NOTE 20 – INTERFUND TRANSACTIONS

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

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 20 – INTERFUND TRANSACTIONS (continued)

Following is a detail of Interfund Notes Receivable/Payable, by debt issue, during 2003:

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
Governmental Funds:				
Non-Major Governmental Funds				
1996 Waterslide				
Issue: 04/02, Maturity 04/03, Rate 4.00%	\$13,750	\$0	(\$6,875)	\$6,875
1997 Salt Shed				
Issue: 11/02, Maturity 11/03, Rate 4.00%	35,625	0	(11,875)	23,750
1995 Telephone Equipment				
Issue: 03/02, Maturity 03/03, Rate 4.00%	15,499	0	(15,499)	0
2002 Durling Drive Improvements				
Issue: 07/02, Maturity 07/03, Rate 4.00%	8,000	21,620	(8,000)	21,620
2002 Sidewalk Improvement				
Issue: 10/03, Maturity 10/04, Rate 3.00%	0	27,000	0	27,000
2002 Street Improvement				
Issue: 09/02, Maturity 09/03, Rate 4.00%	41,500	0	(41,500)	0
Total Governmental Funds	<u>114,374</u>	<u>48,620</u>	<u>(83,749)</u>	<u>79,245</u>
Proprietary Funds:				
Water Fund				
1994 Water Treatment/Supply Study				
Issue: 12/02, Maturity 12/03, Rate 4.00%	6,000	0	(6,000)	0
2002 Water Treatment Plant				
Issue: 04/02, Maturity 04/03, Rate 4.00%	320,000	0	(40,000)	280,000
2002 Water Supply Prof. Services				
Issue: 03/02, Maturity 04/03, Rate 4.00%	82,000	85,000	(82,000)	85,000
1997 Bird Street Tank Painting				
Issue: 10/02, Maturity 10/03, Rate 4.00%	17,625	0	(5,875)	11,750
1997 Development of Water Wells				
Issue: 09/02, Maturity 09/03, Rate 4.00%	99,180	0	(16,530)	82,650
2001 Lagoon Restoration				
Issue: 11/02, Maturity 11/03, Rate 4.00%	131,250	0	(18,750)	112,500
Total Water	<u>656,055</u>	<u>85,000</u>	<u>(169,155)</u>	<u>571,900</u>

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 20 – INTERFUND TRANSACTIONS (continued)

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
Electric Fund				
1996 Cable TV Headend				
Issue: 03/02, Maturity 03/03, Rate 4.00%	362,200	0	(90,550)	271,650
2003 Broadband Communications				
Issue: 10/03, Maturity 10/04, Rate 3.00%	0	139,686	0	139,686
Total Electric	<u>362,200</u>	<u>139,686</u>	<u>(90,550)</u>	<u>411,336</u>
Sanitation				
2001 Sanitation Equipment Acquisition				
Issue: 10/02, Maturity 10/03, Rate 4.00%	275,625	0	(39,375)	236,250
Total Non-Major Business-Type				
Activities	275,625	0	(39,375)	236,250
Total Proprietary Funds	<u>\$1,293,880</u>	<u>\$224,686</u>	<u>(\$299,080)</u>	<u>\$1,219,486</u>

The following is a summary of interfund notes, outstanding at December 31, 2003:

	Receivable Funds							Total Interfund Notes Payable
	General Fund	Income Tax Fund	Non-Major Governmental Funds	Sewer Fund	Water Fund	Electric Fund	Sanitation Fund	
Payable Funds:								
Governmental Funds:								
Non-Major								
Governmental Funds	\$1,786	\$225	\$22,089	\$6,796	\$6,179	\$37,226	\$4,944	\$79,245
Proprietary Funds:								
Water Fund	12,885	1,628	159,412	49,050	44,591	268,661	35,673	571,900
Electric Fund	9,267	1,171	114,657	35,279	32,072	193,233	25,657	411,336
Non-Major								
Sanitation Fund	5,322	673	65,853	20,263	18,420	110,983	14,736	236,250
Total Proprietary Funds	<u>27,474</u>	<u>3,472</u>	<u>339,922</u>	<u>104,592</u>	<u>95,083</u>	<u>572,877</u>	<u>76,066</u>	<u>1,219,486</u>
Total Interfund								
Notes Receivable	<u>\$29,260</u>	<u>\$3,697</u>	<u>\$362,011</u>	<u>\$111,388</u>	<u>\$101,262</u>	<u>\$610,103</u>	<u>\$81,010</u>	<u>\$1,298,731</u>

**CITY OF WADSWORTH, OHIO
MEDINA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 20 – INTERFUND TRANSACTIONS (continued)

The following is a detail of Interfund Bonds Receivable/Payable, by debt issue during 2003:

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
Governmental Activities:				
1987 West Street Paving				
Issue: 08/88, Maturity 08/03, Rate 7.50%	\$9,937	\$0	(\$9,937)	\$0
1993 Great Oaks Extension				
Issue: 09/94, Maturity 09/14, Rate 8.00%	213,260	0	(11,921)	201,339
Grandview Improvement				
Issue: 09/91, Maturity 09/06, Rate 7.00%	45,685	0	(10,290)	35,395
Second and Wood Improvements				
Issue: 09/89, Maturity 09/04, Rate 8.00%	9,411	0	(4,524)	4,887
Waverly Improvement				
Issue: 04/90, Maturity 04/05, Rate 8.00%	22,190	0	(6,833)	15,357
Westwood Improvement				
Issue: 09/90, Maturity 08/03, Rate 8.00%	20,465	0	(6,304)	14,161
Wilson Road Waterline				
Issue: 08/88, Maturity 08/03, Rate 7.50%	1,101	0	(1,101)	0
1994 Seville Road Sanitary Sewer				
Issue: 07/94, Maturity 07/09, Rate 7.00%	4,114	0	(475)	3,639
Archwood Waterline				
Issue: 07/94, Maturity 07/09, Rate 7.00%	5,597	0	(1,724)	3,873
1997 Rittman Road Waterline				
Issue: 07/97, Maturity 07/12, Rate 6.50%	19,669	0	(1,457)	18,212
1997 Street Improvement				
Issue: 06/98, Maturity 06/03, Rate 6.00%	4,077	0	(4,077)	0
1997 Sidewalk Improvement				
Issue: 10/98, Maturity 10/03, Rate 6.00%	1,154	0	(1,154)	0
1998 Silvercrest Waterline				
Issue: 10/98, Maturity 10/13, Rate 6.00%	51,641	0	(3,449)	48,192
1998 Silvercrest Sewer				
Issue: 08/99, Maturity 08/14, Rate 6.00%	61,940	0	(3,672)	58,268
1999 Mechanic Street				
Issue: 08/99, Maturity 08/04, Rate 6.00%	42,764	0	(5,095)	37,669
1998 College Street Sidewalk				
Issue: 08/99, Maturity 08/04, Rate 6.00%	5,132	0	(2,492)	2,640

**CITY OF WADSWORTH, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 20 – INTERFUND TRANSACTIONS (continued)

	Balance 01/01/2003	Additions	Deletions	Balance 12/31/2003
1998 Sidewalk Improvement Issue: 08/99, Maturity 08/04, Rate 6.00%	3,908	0	(1,897)	2,011
1998 Street Program Issue: 08/99, Maturity 08/04, Rate 6.00%	2,241	0	(1,088)	1,153
2000 Grace Drive Sanitary Sewer Issue: 09/00, Maturity 09/15, Rate 8.00%	5,145	0	(240)	4,905
1999 Street Program Issue: 08/00, Maturity 08/05, Rate 6.00%	8,933	0	(2,805)	6,128
1999 Sidewalk Program Issue: 08/01, Maturity 08/06, Rate 6.00%	6,644	0	(1,519)	5,125
2001 Street Improvement Issue: 09/02, Maturity 09/07, Rate 4.00%	6,527	0	(1,205)	5,322
2000 Street Improvement Issue: 08/01, Maturity 08/06, Rate 6.00%	7,886	0	(1,802)	6,084
Southeast Downtown Issue: 08/01, Maturity 08/11, Rate 6.00%	24,746	0	(2,153)	22,593
2001 Sidewalk Improvement Issue: 09/02, Maturity 09/07, Rate 4.00%	7,730	0	(1,427)	6,303
2000 Sidewalk Improvement Issue: 08/01, Maturity 08/06, Rate 6.00%	3,190	0	(729)	2,461
2002 Sidewalk Improvement Issue: 09/03, Maturity 09/08, Rate 3.00%	0	6,622	0	6,622
Total Governmental Activities	<u>\$595,087</u>	<u>\$6,622</u>	<u>(\$89,370)</u>	<u>\$512,339</u>

Interfund transfers for the year ended December 31, 2003 consisted of the following:

	Transfers In:		
	General Fund	Non-Major Governmental Funds	Total
Transfers Out:			
General Fund	\$0	\$250	\$250
Income Tax Fund	3,900,000	1,928,000	5,828,000
Non-Major Governmental Funds	0	375	375
Total	<u>\$3,900,000</u>	<u>\$1,928,625</u>	<u>\$5,828,625</u>

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 21 - RELATED ORGANIZATIONS

On June 30, 2001 the City granted and established a franchise to Wadsworth Airport Management Corporation for a period of five years for the operation and maintenance of the Wadsworth Municipal Airport. The City of Wadsworth pays two thousand five hundred dollars per month to the Wadsworth Airport Management Corporation and pays for liability insurance not to exceed six thousand dollars per year. Wadsworth Airport Management Corporation agrees to pay the City of Wadsworth ten cents per gallon of aviation fuel sold.

NOTE 22 - JOINT VENTURES

OMEGA JV 1, OMEGA JV 2 and OMEGA JV 5

The City's electric enterprise fund has entered into an ongoing joint venture agreement with other Ohio municipal electric systems to form the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2 and 5 (OMEGA JV 1, OMEGA JV 2 and OMEGA JV 5) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1, title to the thirty-seven generating units in OMEGA JV 2 and title to the hydroelectric project in OMEGA JV 5 located at the existing Belleville Lock was transferred to the municipal electrical systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia and Pennsylvania that own and operate electric systems. Each participant has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The City's equity interest in JV 1, JV 2 and JV 5 is reported in the City's electric enterprise fund. The City's undivided ownership of OMEGA JV1, OMEGA JV 2 and OMEGA JV5 is 11.24, 5.81 and 5.62%, respectively. The City's equity interest was \$50,821, \$2,866,678 and \$443,619 for JV 1, JV 2 and JV 5, respectively, at December 31, 2003. The following is a summary of audited financial information of OMEGA JV 1, OMEGA JV 2 and OMEGA JV 5 for the year ended December 31, 2003:

	OMEGA JV 1	OMEGA JV 2	OMEGA JV 5
Total Assets	\$674,077	\$50,986,853	\$195,104,812
Total Liabilities	221,946	1,646,514	187,211,238
Participants Equity	452,131	49,340,339	7,893,574
Total Revenues	186,907	2,260,461	22,758,497
Total Expenses	181,237	4,879,784	22,064,223
Excess (Deficiency) Income			
Over (Under) Expenses	5,670	(2,619,323)	694,274

Additional financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. OMEGA JV1, OMEGA JV 2 and OMEGA JV5 are not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City.

**CITY OF WADSWORTH, OHIO
 MEDINA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 22 - JOINT VENTURES (continued)

Woodlawn Union Cemetery

The City is a participant along with Wadsworth Township in a joint venture to establish and manage the Woodlawn Union Cemetery. This establishment is allowable under Ohio Revised Code Section 759.27. This joint venture is considered a separate reporting entity by the City and has not been included in these basic financial statements. Complete financial statements for the Woodlawn Cemetery can be obtained from the Secretary-Treasurer of the Cemetery. Audited financial information for the Cemetery for the year ended December 31, 2003 was as follows:

Total Receipts	\$168,370
Total Disbursements	<u>(\$180,043)</u>
Excess Receipts (Under) Disbursements	<u><u>(\$11,673)</u></u>

The Cemetery has no outstanding debt.

NOTE 23 - JOINTLY GOVERNED ORGANIZATION

Municipal Energy Services Agency (MESA)

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

CITY OF WADSWORTH, OHIO

SINGLE AUDIT REPORT

DECEMBER 31, 2003

CITY OF WADSWORTH, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136
Accountants

Ohio Society of Certified Public

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

Honorable Mayor, City Auditor, and City Council
City of Wadsworth
Medina County

We have audited the basic financial statements of the City of Wadsworth, Medina County, Ohio (the City), as of and for the year ended December 31, 2003, and have issued our report thereon dated March 3, 2005. The City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of January 1, 2003. This resulted in a change to the City's method of accounting for nonexchange revenues, capital assets, long-term liabilities, and changes in the format and content of the basic financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance we must report which are described in the accompanying Schedule of Findings and Questioned Costs as item 2003-1. We also noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated March 3, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 or 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 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.

We noted other matters involving the internal control and noncompliance over financial reporting that we have reported to the management of the City in a separate letter dated March 3, 2005.

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

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

March 3, 2005

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

Certified Public Accountants

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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public

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

Honorable Mayor, City Auditor, and City Council
City of Wadsworth
Medina County

We have audited the compliance of the City of Wadsworth, Medina County, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City'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.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of and for the year ended December 31, 2003, and have issued our report thereon dated March 3, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Wadsworth, Ohio's basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We noted a matter involving noncompliance over financial reporting that we have reported to the management of the City in a separate letter dated March 3, 2005.

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

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

March 3, 2005

**CITY OF WADSWORTH
MEDINA COUNTY
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through or Grantor's Number	Receipts	Expenditures
<u>U.S. Department of Justice</u>				
<i>Direct:</i>				
COPS Grants	16.710	1995CFWX3285	\$ 48,333	\$ 48,473
Bulletproof Vest Partnership Program	16.607	346002961W01008079	2,163	0
D.A.R.E. Education	16.580	N/A	790	3,943
Total U.S. Department of Justice			<u>51,286</u>	<u>52,416</u>
<u>U.S. Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms</u>				
<i>Direct:</i>				
Gang Resistance Education and Training	21.053	N/A	29,106	10,238
Total U.S. Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms			<u>29,106</u>	<u>10,238</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed Through Ohio Department of Development:</i>				
<u>Community Development Block Grant</u>				
State's Program	14.228	N/A	45,600	24,484
	14.228	AC-99-193-1	1,000	0
	14.228	AC-01-193-1	8,000	0
	14.228	AF-01-193-1	74,000	68,235
	14.228	AF-02-193-1	13,000	4,916
Total Community Development Block Grant			<u>141,600</u>	<u>97,635</u>
<u>Home Improvement Partnerships Program</u>				
State's Program	14.239	AC-01-193-2	284,657	324,905
Total Home Improvement Partnerships Program			<u>284,657</u>	<u>324,905</u>
Total U.S. Department of Housing and Urban Development			<u>426,257</u>	<u>422,540</u>
<u>U.S. Department of Transportation</u>				
<i>Direct:</i>				
Airport Improvement Program	20.106	N/A	0	112,427
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	12.137	0	312,880
Total U.S. Department of Transportation			<u>0</u>	<u>425,307</u>
<u>U.S. Department of Homeland Security</u>				
<i>Direct:</i>				
Assistance to Firefighters	83.554	EMW-2002-FG-08668	34,560	38,223
<i>Passed through the State of Ohio</i>				
FEMA Public Assistance	97.036	FEMA-1484-DR-103-80304	0	11,622
Total U.S. Department of Homeland Security			<u>34,560</u>	<u>49,845</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS			<u>\$ 541,209</u>	<u>\$ 960,346</u>

See notes to the Schedule of Receipts and Expenditures of Federal Awards

**CITY OF WADSWORTH
MEDINA COUNTY
NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2003**

NOTE A: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B: **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses in order to create jobs for persons from low to moderate income households, and to eligible persons for rehabilitation of their homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, which is passed through the Ohio Department of Development (ODOD). The initial loan amount is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements in the Schedule.

**CITY OF WADSWORTH
MEDINA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

2003(i)	Type of Financial Statement Opinion	Unqualified
2003(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2003(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2003(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2003(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2003(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2003(v)	Type of Major Programs' Compliance Opinion	Unqualified
2003(vi)	Are there any reportable findings under .510?	No
2003(vii)	Major Programs (list): Home Investment Partnerships Program - CFDA #14.239 Community Development Block Grant - CFDA #14.228 Highway Planning and Construction - CFDA #20.205	
2003(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
2003(ix)	Low Risk Auditee?	Yes

**CITY OF WADSWORTH
MEDINA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2003
(CONTINUED)**

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

2003-1 - Appropriations Exceed Estimated Revenues

Criteria

Ohio Revised Code 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue. The City's appropriations exceeded estimated resources in the following funds at December 31, 2003:

	Total Certificate of Estimated Resources	Total Final Appropriations	Variance
Fund 404 - CDBG 1997	\$ 589,083	\$ 730,195	\$ (141,112)
Fund 405 - CDBG 1995	78,283	125,157	(46,874)
Fund 410 - Airport Improvement	2,110	3,323	(1,213)
Fund 421 - Airport Land Acquisition	14,000	16,312	(2,312)
Fund 422 - Airport Taxiway Improvement 1996	90,063	263,651	(173,588)
Fund 438 - Satellite Fire Station	5,898	6,050	(152)
Fund 450 - Police Equipment Reserve	54	740	(686)
Fund 465 - Street Maintenance 99-00	81,995	102,805	(20,810)
Fund 520 - Durling Drive Improvement	30,339	318,320	(287,981)
Fund 560 - Sidewalk Improvement 1999	40,671	92,300	(51,629)
Fund 568 - Street Improvement	42,800	50,544	(7,744)
Fund 672 - Water Supply	153,602	296,247	(142,645)
Fund 681 - Electric Building Addition	13,055	15,149	(2,094)
Fund 682 - Fiber Optics	258,487	275,706	(17,219)

Cause/Effect

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

Recommendation

We recommend that the City review estimated resources prior to appropriating the funds to be in compliance with ORC Section 5705.39.

**CITY OF WADSWORTH
MEDINA COUNTY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003**

The prior audit report, as of December 31, 2002, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF WADSWORTH

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 2, 2005**