

**CITY OF WADSWORTH, OHIO**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2004**





**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, CPA, Inc., for the audit period January 1, 2004 through December 31, 2004. 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

January 17, 2006

**This Page is Intentionally Left Blank.**

**CITY OF WADSWORTH, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

---

---

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Income Tax	19
Statement of Fund Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Assets - Fiduciary Fund	23
Notes to the Basic Financial Statements	24-65

**This Page is Intentionally Left Blank.**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> 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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and the Income Tax special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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

November 30, 2005



**City of Wadsworth, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*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, 2004. 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 Net Assets and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The Proprietary Funds' statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

*Statement of Net Assets and Statement of Activities*

These government-wide statements answer the question, "How did the City as a whole do financially during 2004"? 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, 2004. 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, 2004. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

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

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

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

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

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

These statements provide financial position and results of the City’s major funds. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and 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. The basic government fund financial statements can be found on pages 14 through 19 of this report.
- ***Proprietary Funds***. There are two types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

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

The City of Wadsworth’s Sewer Fund, Water Fund and Electric Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 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. Notes to the Basic Financial Statements can be found on pages 24 through 65 of this report.

**The City of Wadsworth as a Whole**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wadsworth, assets exceed liabilities by \$40,776,409 in governmental activities and \$38,546,426 in business-type activities as of December 31, 2004. 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 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
<b>Assets</b>						
Current and Other Assets	\$17,046,907	\$15,319,519	\$12,801,510	\$12,662,452	\$29,848,417	\$27,981,971
Capital Assets, Net	30,855,311	31,148,297	39,616,899	41,577,140	70,472,210	72,725,437
<b>Total Assets</b>	<b>47,902,218</b>	<b>46,467,816</b>	<b>52,418,409</b>	<b>54,239,592</b>	<b>100,320,627</b>	<b>100,707,408</b>
<b>Liabilities</b>						
Current and Other Liabilities	3,580,604	2,574,155	1,882,006	2,389,834	5,462,610	4,963,989
Long-Term Liabilities, Due Within One Year	451,437	741,555	571,930	918,662	1,023,367	1,660,217
Long-Term Liabilities, Due in More Than One Year	3,093,768	2,922,245	11,418,047	11,880,124	14,511,815	14,802,369
<b>Total Liabilities</b>	<b>7,125,809</b>	<b>6,237,955</b>	<b>13,871,983</b>	<b>15,188,620</b>	<b>20,997,792</b>	<b>21,426,575</b>

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of Debt	28,849,545	28,724,668	29,136,899	30,003,685	57,986,444	58,728,353
Restricted	9,266,613	8,877,008	0	0	9,266,613	8,877,008
Unrestricted	2,660,251	2,628,185	9,409,527	9,047,287	12,069,778	11,675,472
Total Net Assets	\$40,776,409	\$40,229,861	\$38,546,426	\$39,050,972	\$79,322,835	\$79,280,833

During 2004, the City's overall financial position increased by \$42,002 as Governmental Activities Net Assets increased by \$546,548 and those for Business-Type Activities declined by \$504,546.

Table 2 below, indicates the changes in net assets for the year ended December 31, 2004, for both the Governmental and Business-Type Activities.

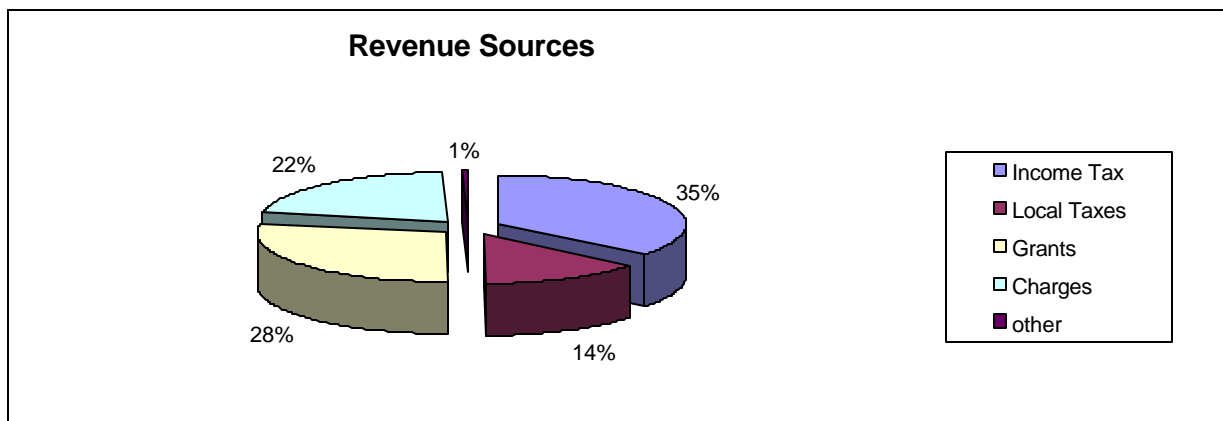
**TABLE 2  
CHANGE IN NET ASSETS**

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$3,305,478	\$1,741,071	\$28,749,627	\$26,079,454	\$32,055,105	\$27,820,525
Operating Grants and Contributions	470,466	445,664	0	0	470,466	445,664
Capital Grants and Contributions	331,574	480,452	0	0	331,574	480,452
General Revenues:						
Taxes	7,545,967	7,155,452	0	0	7,545,967	7,155,452
Grants and Entitlements Not Restricted to Specific Programs	3,447,008	3,055,744	0	0	3,447,008	3,055,744
Investment Income	76,320	76,023	530,796	114,031	607,116	190,054
Other Income	8,251	431,895	0	34,075	8,251	465,970
Total Revenues	15,185,064	13,386,301	29,280,423	26,227,560	44,465,487	39,613,861
<b>Expenses</b>						
Program Expenses:						
General Government	3,422,001	3,437,464	0	0	3,422,001	3,437,464
Security of Persons and Property	5,864,968	4,914,431	0	0	5,864,968	4,914,431
Public Services	135	256	0	0	135	256
Public Health	145,643	210,533	0	0	145,643	210,533
Leisure Time Services	2,023,707	1,931,413	0	0	2,023,707	1,931,413
Community and Economic						
Development	478,550	666,141	0	0	478,550	666,141
Public Works	30,140	41,613	0	0	30,140	41,613
Transportation	2,512,197	2,183,987	0	0	2,512,197	2,183,987
Intergovernmental	16,529	0	0	0	16,529	0

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Interest and Fiscal Charges	146,971	172,803	0	0	146,971	172,803
Electric	0	0	23,589,034	18,960,567	23,589,034	18,960,567
Sanitation	0	0	1,284,315	1,450,513	1,284,315	1,450,513
Sewer	0	0	2,497,533	2,266,394	2,497,533	2,266,394
Telecom	0	0	10,344	0	10,344	0
Water	0	0	2,401,418	1,637,700	2,401,418	1,637,700
<b>Total Expenses</b>	<b>14,640,841</b>	<b>13,558,641</b>	<b>29,782,644</b>	<b>24,315,174</b>	<b>44,423,485</b>	<b>37,873,815</b>
Increase in Net Assets						
Before Transfers	544,223	(172,340)	(502,221)	1,912,386	42,002	1,740,046
Transfers	2,325	0	(2,325)	0	0	0
Increase (Decrease) in Net Assets						
After Transfers	546,548	(172,340)	(504,546)	1,912,386	42,002	1,740,046
Net Assets - Beginning	40,229,861	40,402,201	39,050,972	37,138,586	79,280,833	77,540,787
Net Assets - Ending	\$40,776,409	\$40,229,861	\$38,546,426	\$39,050,972	\$79,322,835	\$79,280,833

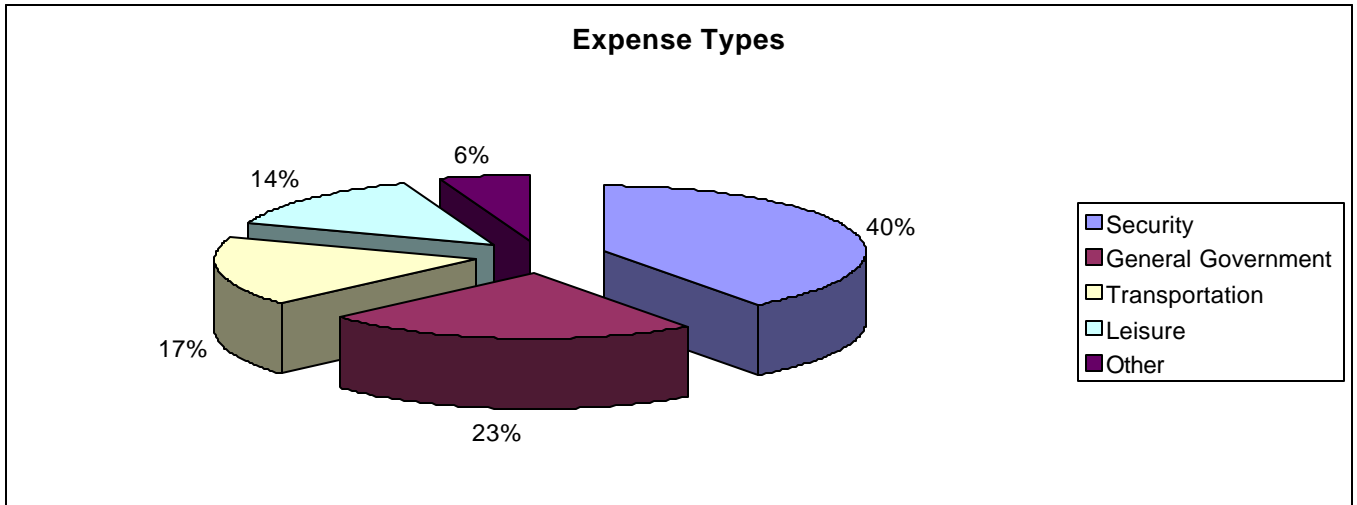
### Governmental Activities

The City income tax is the largest contributor of revenue sources in government activities accounting for 35.70% of total revenues. Property and other local taxes generate 13.98% and grants and entitlements generate 27.98% of total revenues.



The City's direct charges to users of governmental services represent 21.76% 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 40.06% of governmental expenses, general government accounts for 23.37% of governmental expenses while transportation costs and leisure time activities represent 17.16% and 13.82% 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 98.19% 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 \$11,905,538, a 6.72% increase of \$749,757 in comparison with the prior year. Approximately 79.52% of this total amount of \$11,905,538 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 \$2,710,107, while the total fund balance was \$3,465,980. 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 36.79% of total General Fund expenditures, while total fund balance represents 47.05% of that same amount. The General Fund balance increased by \$4,414 or 0.13% over the prior year.

**The Income Tax Fund** receives all income tax revenue, expenses the dollars necessary to administer the income tax activities and then distributes dollars as needed for operation of the General Fund, Recreation Fund, Street Fund and Capital Improvement. The needs of these funds exceeded revenues in Income Tax by \$149,099.

**Proprietary Funds** – The City’s Proprietary Funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. Net Assets in the Sewer, Water, Electric and Other Enterprise Funds increased (decreased) \$669,972, (10.47%), \$(276,800) (2.67%), \$(1,068,503) (5.02%) and \$297,722 (34.77%), 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 \$31,756 under the budget. Interest Earnings suffered again in 2004 as a result of record low interest rates.

Actual General Fund expenditures compared to the budget included approximately \$463,000 remaining in encumbered funds as of December 31, 2004. Security of Persons and Property which is largely the Police and Fire Department activity, accounted for \$221,571 of those encumbered funds and General Government accounted for \$191,214.

Actual revenue collected in the City’s Income Tax Fund was equal to 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, 2004, amounts to \$70,472,210 (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 decrease in the City’s investment in capital assets for the current year was 3.10% (0.94% decrease for governmental activity and a 4.71% decrease for business-type activity) (See Note 13).

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Land and Improvements	\$3,960,515	\$3,960,515	\$492,686	\$482,260	\$4,453,201	\$4,442,775
Construction in Progress	255,346	0	107,490	80,000	362,836	80,000
Infrastructure Work in Progress	0	0	916,195	2,709,491	916,195	2,709,491
Land Improvements	891,407	923,708	6,169	6,532	897,576	930,240
Buildings	5,028,315	5,201,965	3,248,186	3,380,461	8,276,501	8,582,426
Vehicles	1,320,888	1,522,934	1,354,344	1,404,110	2,675,232	2,927,044
Equipment	747,942	890,270	734,552	784,615	1,482,494	1,674,885
Infrastructure	18,650,898	18,648,905	32,757,277	32,729,671	51,408,175	51,378,576
Total Capital Assets, Net	\$30,855,311	\$31,148,297	\$39,616,899	\$41,577,140	\$70,472,210	\$72,725,437

**Debt**

At December 31, 2004, the City had a total debt of \$12,283,007 in long-term bonds, loans and other outstanding obligations, excluding compensated absences and intergovernmental payables. Details of individual obligations can be found on page 51. A large portion of this debt is revenue bonds and not a general obligation of the City.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 ORC). Certain debt with a repayment source other than general tax revenue, is excluded from this limitation. Under the definition, the City has approximately \$24,000 of net indebtedness as of December 31, 2004. The aggregate principal amount of unvoted net indebtedness may not exceed \$43,498,169, which is 10.50% of the assessed value of real and personal property. This leaves an available unvoted debt limit of \$43,474,169. The aggregate principal amount of voted nonexempt net indebtedness of the City may not exceed \$22,784,765, which is 5.50% of the assessed value of real and personal property.

Additional information regarding the City’s long-term obligations can be found in Note 18 of this report.

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
General Obligation Bonds	\$1,685,000	\$1,980,000	\$0	\$0	\$1,685,000	\$1,980,000
Revenue Bonds	0	0	10,480,000	10,899,167	10,480,000	10,899,167
Special Assessment Bonds	12,000	24,000	0	0	12,000	24,000
Police and Fire Past Service Costs	106,007	107,686	0	0	106,007	107,686
<b>Total Long-Term Debt</b>	<b>\$1,803,007</b>	<b>\$2,111,686</b>	<b>\$10,480,000</b>	<b>\$10,899,167</b>	<b>\$12,283,007</b>	<b>\$13,010,853</b>

**Economic Factors**

The City’s original budget for 2004 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.

Actual General Fund revenues were 29.38% more than the original estimated revenue for 2004. Actual General Fund expenditures were 7.12% less than the 2004 original budgeted expenditures. The net change fund balance after all activity was originally budgeted to decline 71.70%. The actual net change in fund balance was a decline of 5.44%.

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



## **Contacting the City Finance Department**

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

**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Net Assets**  
**December 31, 2004**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$11,087,573	\$3,175,591	\$14,263,164
Cash and Cash Equivalents in Segregated Accounts	10,939	0	10,939
Cash and Cash Equivalents with Fiscal Agents	128	947,221	947,349
Receivables:			
Taxes	3,272,297	0	3,272,297
Accounts	457,807	4,278,272	4,736,079
Accrued Interest	16,472	0	16,472
Intergovernmental	1,139,528	0	1,139,528
Special Assessments	622,149	0	622,149
Internal Balances	115,474	(115,474)	0
Materials and Supplies Inventory	243,905	655,994	899,899
Prepaid Items	80,635	55,703	136,338
Unamortized Bond Issue Costs	0	198,662	198,662
Investment in Joint Venture	0	3,605,541	3,605,541
Non-Depreciable Capital Assets	4,215,861	1,516,371	5,732,232
Depreciable Capital Assets, Net	26,639,450	38,100,528	64,739,978
<i>Total Assets</i>	<u>47,902,218</u>	<u>52,418,409</u>	<u>100,320,627</u>
<b>Liabilities</b>			
Accounts Payable	309,619	1,458,941	1,768,560
Contracts Payable	157,572	0	157,572
Accrued Wages and Benefits	227,919	198,951	426,870
Intergovernmental Payable	336,729	186,100	522,829
Matured Interest Payable	128	1,344	1,472
Accrued Interest Payable	149,161	36,670	185,831
Claims Payable	490,411	0	490,411
Deferred Revenue	1,770,149	0	1,770,149
Unearned Revenue	138,916	0	138,916
Noncurrent Liabilities:			
Due Within One Year	451,437	571,930	1,023,367
Due In More Than One Year	3,093,768	11,418,047	14,511,815
<i>Total Liabilities</i>	<u>7,125,809</u>	<u>13,871,983</u>	<u>20,997,792</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	28,849,545	29,136,899	57,986,444
Restricted for:			
Debt Service	1,285,618	0	1,285,618
Capital Projects	2,756,497	0	2,756,497
Other Purposes	5,224,498	0	5,224,498
Unrestricted	2,660,251	9,409,527	12,069,778
<i>Total Net Assets</i>	<u>\$40,776,409</u>	<u>\$38,546,426</u>	<u>\$79,322,835</u>

See accompanying notes to the basic financial statements.

City of Wadsworth, Ohio  
Medina County  
Statement of Activities  
For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$3,422,001	\$906,987	\$34,254	\$44,534	(\$2,436,226)	\$0	(\$2,436,226)
Security of Persons and Property	5,864,968	634,961	157,530	0	(5,072,477)	0	(5,072,477)
Public Services	135	0	0	0	(135)	0	(135)
Public Health	145,643	9,599	1,430	0	(134,614)	0	(134,614)
Leisure Time Services	2,023,707	688,927	263,286	46,996	(1,024,498)	0	(1,024,498)
Community and Economic Development	478,550	27,191	1,998	240,044	(209,317)	0	(209,317)
Public Works	30,140	1,029,930	0	0	999,790	0	999,790
Transportation	2,512,197	7,720	1,100	0	(2,503,377)	0	(2,503,377)
Intergovernmental	16,529	163	10,868	0	(5,498)	0	(5,498)
Interest and Fiscal Charges	146,971	0	0	0	(146,971)	0	(146,971)
<i>Total Governmental Activities</i>	<u>14,640,841</u>	<u>3,305,478</u>	<u>470,466</u>	<u>331,574</u>	<u>(10,533,323)</u>	<u>0</u>	<u>(10,533,323)</u>
<b>Business-Type Activities</b>							
Electric	23,589,034	21,950,840	0	0	0	(1,638,194)	(1,638,194)
Sanitation	1,284,315	1,585,439	0	0	0	301,124	301,124
Sewer	2,497,533	3,152,300	0	0	0	654,767	654,767
Telecom	10,344	0	0	0	0	(10,344)	(10,344)
Water	2,401,418	2,061,048	0	0	0	(340,370)	(340,370)
<i>Total Business-Type Activities</i>	<u>29,782,644</u>	<u>28,749,627</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,033,017)</u>	<u>(1,033,017)</u>
<b>Totals</b>	<u>\$44,423,485</u>	<u>\$32,055,105</u>	<u>\$470,466</u>	<u>\$331,574</u>	<u>(10,533,323)</u>	<u>(1,033,017)</u>	<u>(11,566,340)</u>
<b>General Revenues:</b>							
Property Taxes Levied For:							
General Purposes					947,379	0	947,379
Capital Projects					449,355	0	449,355
Special Revenue					726,939	0	726,939
Income Taxes					5,422,294	0	5,422,294
Grants and Entitlements not Restricted to Specific Programs					3,447,008	0	3,447,008
Investment Earnings					76,320	530,796	607,116
Other Income					8,251	0	8,251
Transfers					2,325	(2,325)	0
<i>Total General Revenues</i>					<u>11,079,871</u>	<u>528,471</u>	<u>11,608,342</u>
Change in Net Assets					546,548	(504,546)	42,002
<i>Net Assets Beginning of Year</i>					<u>40,229,861</u>	<u>39,050,972</u>	<u>79,280,833</u>
<i>Net Assets End of Year</i>					<u>\$40,776,409</u>	<u>\$38,546,426</u>	<u>\$79,322,835</u>

See accompanying notes to the basic financial statements.

**City of Wadsworth, Ohio**  
**Medina County**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2004**

	General	Income Tax	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,026,174	\$174,031	\$7,400,854	\$10,601,059
Cash and Cash Equivalents in				
Segregated Accounts	10,939	0	0	10,939
Cash and Cash Equivalents With Fiscal Agents	0	0	128	128
Receivables:				
Taxes	909,384	1,332,002	1,030,911	3,272,297
Accounts	82,416	0	375,391	457,807
Interfund	235,700	0	0	235,700
Accrued Interest	16,472	0	0	16,472
Intergovernmental	612,132	0	527,396	1,139,528
Special Assessments	0	0	622,149	622,149
Interfund Notes	281,940	16,156	195,244	493,340
Materials and Supplies Inventory	1,333	0	198,109	199,442
Prepaid Items	62,168	471	17,996	80,635
<i>Total Assets</i>	<u>\$5,238,658</u>	<u>\$1,522,660</u>	<u>\$10,368,178</u>	<u>\$17,129,496</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$51,025	\$34,652	\$223,942	\$309,619
Contracts Payable	0	0	157,572	157,572
Accrued Wages and Benefits	151,828	1,946	74,145	227,919
Intergovernmental Payable	236,311	1,063	94,431	331,805
Matured Interest Payable	0	0	128	128
Accrued Interest Payable	0	0	474	474
Interfund Payable	0	0	235,700	235,700
Deferred Revenue	1,333,514	431,628	2,013,138	3,778,280
Unearned Revenue	0	0	138,916	138,916
Interfund Notes Payable	0	0	43,545	43,545
<i>Total Liabilities</i>	<u>1,772,678</u>	<u>469,289</u>	<u>2,981,991</u>	<u>5,223,958</u>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	411,765	0	790,039	1,201,804
Prepaid Items	62,168	471	17,996	80,635
Interfund Notes	281,940	16,156	195,244	493,340
Debt Service Principal	0	0	662,969	662,969
Unreserved, Undesignated, Reported in:				
General Fund	2,710,107	0	0	2,710,107
Special Revenue Funds	0	1,036,744	3,491,658	4,528,402
Capital Projects Funds	0	0	2,228,281	2,228,281
<i>Total Fund Balances</i>	<u>3,465,980</u>	<u>1,053,371</u>	<u>7,386,187</u>	<u>11,905,538</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,238,658</u>	<u>\$1,522,660</u>	<u>\$10,368,178</u>	<u>\$17,129,496</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, 2004**

---

**Total Governmental Funds Balances** \$11,905,538

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

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

Land	3,960,515	
Construction in Progress	255,346	
Land Improvements (Net of Depreciation)	891,407	
Buildings (Net of Depreciation)	4,873,818	
Vehicles (Net of Depreciation)	1,307,952	
Equipment, Furniture and Fixtures (Net of Depreciation)	738,139	
Infrastructure (Net of Depreciation)	<u>18,650,898</u>	
 Total		 30,678,075

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

Property Taxes	171,260	
Income Taxes	430,514	
Other Taxes	784,208	
Special Assessments	<u>622,149</u>	
 Total		 2,008,131

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

Buildings (Net of Depreciation)	154,497	
Vehicles (Net of Depreciation)	12,936	
Equipment, Furniture and Fixtures (Net of Depreciation)	9,803	
Unrestricted Net Assets	35,642	
Internal payable representing charges in excess of cost to business-type activities - prior years	(135,970)	
Internal receivable representing cost in excess of charges to business-type activities - current year	<u>126,937</u>	
 Total		 203,845

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

General Obligation Bonds	(1,685,000)	
Special Assessment Bonds	(12,000)	
Compensated Absences	(1,706,036)	
Pension Obligation	(36,162)	
Police Past Service Costs	(106,007)	
Internal Debt	(456,621)	
Accrued Interest	<u>(17,354)</u>	
 Total		 <u>(4,019,180)</u>

*Net Assets of Governmental Activities* \$40,776,409

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 Year Ended December 31, 2004**

	General	Income Tax	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$888,644	\$0	\$1,161,698	\$2,050,342
Income Taxes	0	5,408,970	0	5,408,970
Special Assessments	0	0	142,583	142,583
Charges for Services	237,644	0	1,665,936	1,903,580
Licenses and Permits	456,939	0	357,165	814,104
Fines and Forfeitures	0	0	228,079	228,079
Intergovernmental	2,294,661	9,667	1,713,816	4,018,144
Interest	35,577	0	40,743	76,320
Rent	0	0	359,715	359,715
Contributions and Donations	38,866	0	10,935	49,801
Other	7,236	0	1,015	8,251
<i>Total Revenues</i>	<u>3,959,567</u>	<u>5,418,637</u>	<u>5,681,685</u>	<u>15,059,889</u>
<b>Expenditures</b>				
Current:				
General Government	2,367,515	506,308	164,116	3,037,939
Security of Persons and Property	3,898,298	0	1,411,917	5,310,215
Public Services	135	0	0	135
Public Health	82,854	0	555	83,409
Leisure Time Services	802,684	0	1,065,875	1,868,559
Community and Economic Development	207,756	0	316,848	524,604
Public Works	0	0	29,419	29,419
Transportation	0	0	1,946,326	1,946,326
Intergovernmental	1,757	5,428	9,344	16,529
Capital Outlay	0	0	1,005,873	1,005,873
Debt Service:				
Principal Retirement	1,679	0	386,310	387,989
Interest and Fiscal Charges	4,559	0	133,777	138,336
<i>Total Expenditures</i>	<u>7,367,237</u>	<u>511,736</u>	<u>6,470,360</u>	<u>14,349,333</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(3,407,670)</u>	<u>4,906,901</u>	<u>(788,675)</u>	<u>710,556</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,400,000	0	1,659,525	5,059,525
Notes Issued	0	0	10,941	10,941
Proceeds of Loans	0	0	12,651	12,651
Proceeds from Sale of Capital Assets	13,284	0	0	13,284
Transfers Out	(1,200)	(5,056,000)	0	(5,057,200)
<i>Total Other Financing Sources (Uses)</i>	<u>3,412,084</u>	<u>(5,056,000)</u>	<u>1,683,117</u>	<u>39,201</u>
<i>Net Change in Fund Balances</i>	4,414	(149,099)	894,442	749,757
<i>Fund Balance Beginning of Year</i>	3,461,566	1,202,470	6,491,745	11,155,781
<i>Fund Balance End of Year</i>	<u>\$3,465,980</u>	<u>\$1,053,371</u>	<u>\$7,386,187</u>	<u>\$11,905,538</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 Year Ended December 31, 2004**

---

**Net Change in Fund Balances - Total Governmental Funds** \$749,757

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

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

Capital Outlay	691,974	
Depreciation Expense	(966,404)	
Total		(274,430)

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

Loss on Sale of Capital Assets		(7,687)
--------------------------------	--	---------

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

Property Taxes	74,445	
Income Taxes	12,210	
Other Taxes	139,602	
Special Assessments	(100,429)	
Grants	(6,250)	
Total		119,578

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.

Internal Bonds		(23,592)
----------------	--	----------

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

General Obligation Bonds	295,000	
Special Assessment Bonds	12,000	
Police and Fire Past Service Costs	1,679	
Internal Bonds	79,310	
Total		387,989

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

(8,635)

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

Compensated Absences		
Pension Obligation	(259,189)	
Total	(8,882)	(268,071)

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

Change in net assets of the internal service funds	(255,298)	
Plus: Increase from charges to business-type activities	126,937	
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.		(128,361)

*Change in Net Assets of Governmental Activities* \$546,548

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 Year Ended December 31, 2004**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$920,400	\$920,400	\$888,644	(\$31,756)
Charges for Services	172,527	323,018	259,212	(63,806)
Licenses and Permits	300,425	562,480	447,524	(114,956)
Intergovernmental	1,323,073	2,498,655	2,289,116	(209,539)
Interest	15,782	15,782	46,211	30,429
Contributions and Donations	11,862	13,862	33,461	19,599
Refunds	141,135	141,135	121,617	(19,518)
Other	194	194	221	27
<b>Total Revenues</b>	<b>2,885,398</b>	<b>4,475,526</b>	<b>4,086,006</b>	<b>(389,520)</b>
<b>Expenditures</b>				
Current:				
General Government	3,085,172	2,910,444	2,592,246	318,198
Security of Persons and Property	4,193,015	4,195,056	4,112,556	82,500
Public Services	358	233	135	98
Public Health	81,370	85,285	85,152	133
Leisure Time Services	877,411	837,202	836,867	335
Community and Economic Development	227,436	234,415	234,415	0
Intergovernmental	1,942	1,942	1,870	72
Debt Service:				
Principal Retirements	1,544	1,679	1,679	0
Interest and Fiscal Charges	4,720	4,585	4,559	26
<b>Total Expenditures</b>	<b>8,472,968</b>	<b>8,270,841</b>	<b>7,869,479</b>	<b>401,362</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(5,587,570)</b>	<b>(3,795,315)</b>	<b>(3,783,473)</b>	<b>11,842</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,400,000	3,400,000	3,400,000	0
Proceeds from Sale of Capital Assets	0	0	13,284	13,284
Advances In	384,580	469,100	469,100	0
Transfers Out	(15,750)	(16,200)	(1,200)	15,000
Advances Out	0	(235,700)	(235,700)	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,768,830</b>	<b>3,617,200</b>	<b>3,645,484</b>	<b>28,284</b>
<b>Net Change in Fund Balance</b>	<b>(1,818,740)</b>	<b>(178,115)</b>	<b>(137,989)</b>	<b>40,126</b>
Fund Balance at Beginning of Fiscal Year	2,538,027	2,538,027	2,538,027	0
Prior Fiscal Year Encumbrances Appropriated	433,817	433,817	433,817	0
<b>Fund Balance at End of Fiscal Year</b>	<b>\$1,153,104</b>	<b>\$2,793,729</b>	<b>\$2,833,855</b>	<b>\$40,126</b>

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 Year Ended December 31, 2004**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$5,402,475	\$5,377,066	\$5,377,066	\$0
Intergovernmental	2,400	9,667	9,667	0
Refunds	25	25	14	(11)
Total Revenues	<u>5,404,900</u>	<u>5,386,758</u>	<u>5,386,747</u>	<u>(11)</u>
<b>Expenditures</b>				
Current:				
General Government	455,388	558,961	512,829	46,132
Intergovernmental	0	5,428	5,428	0
Total Expenditures	<u>455,388</u>	<u>564,389</u>	<u>518,257</u>	<u>46,132</u>
Excess of Revenues (Under) Expenditures	<u>4,949,512</u>	<u>4,822,369</u>	<u>4,868,490</u>	<u>46,121</u>
<b>Other Financing Sources</b>				
Transfers Out	<u>(5,056,000)</u>	<u>(5,056,000)</u>	<u>(5,056,000)</u>	<u>0</u>
Total Other Financing Sources	<u>(5,056,000)</u>	<u>(5,056,000)</u>	<u>(5,056,000)</u>	<u>0</u>
Net Change in Fund Balance	(106,488)	(233,631)	(187,510)	46,121
Fund Balance at Beginning of Fiscal Year	375,019	375,019	375,019	0
Prior Fiscal Year Encumbrances Appropriated	<u>514</u>	<u>514</u>	<u>514</u>	<u>0</u>
Fund Balance at End of Fiscal Year	<u><u>\$269,045</u></u>	<u><u>\$141,902</u></u>	<u><u>\$188,023</u></u>	<u><u>\$46,121</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, 2004**

	Sewer	Water	Electric	All Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
<b>Assets</b>						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,754,261	\$461,441	\$244,085	\$715,804	\$3,175,591	\$486,514
Cash and Cash Equivalents with Fiscal Agents	0	1,344	945,877	0	947,221	0
Materials and Supplies Inventory	2,989	128,524	524,481	0	655,994	44,463
Receivables:						
Accounts	465,999	330,984	3,225,807	255,482	4,278,272	0
Prepaid Items	9,306	12,856	26,663	6,878	55,703	0
<b>Total Current Assets</b>	<b>2,232,555</b>	<b>935,149</b>	<b>4,966,913</b>	<b>978,164</b>	<b>9,112,781</b>	<b>530,977</b>
Noncurrent Assets:						
Unamortized Bond Issue Costs	0	0	198,662	0	198,662	0
Interfund Notes Receivable	0	163,940	590,760	0	754,700	0
Investment in Joint Venture	0	0	3,605,541	0	3,605,541	0
Interfund Bonds Receivable	0	68,482	256,806	0	325,288	0
Non-Depreciable Capital Assets	113,795	269,435	1,132,337	804	1,516,371	0
Depreciable Capital Assets, Net	5,123,263	9,589,865	22,746,817	640,583	38,100,528	177,236
<b>Total Noncurrent Assets</b>	<b>5,237,058</b>	<b>10,091,722</b>	<b>28,530,923</b>	<b>641,387</b>	<b>44,501,090</b>	<b>177,236</b>
<b>Total Assets</b>	<b>7,469,613</b>	<b>11,026,871</b>	<b>33,497,836</b>	<b>1,619,551</b>	<b>53,613,871</b>	<b>708,213</b>
<b>Liabilities</b>						
Current Liabilities:						
Accounts Payable	28,504	35,896	1,391,327	3,214	1,458,941	0
Accrued Wages and Benefits	39,887	37,720	111,065	10,279	198,951	0
Intergovernmental Payable	26,476	33,671	108,088	17,865	186,100	4,924
Matured Interest Payable	0	1,344	0	0	1,344	0
Accrued Interest Payable	0	5,818	23,179	7,673	36,670	0
Unamortized Premium on Bonds	0	0	61,979	0	61,979	0
Claims Payable	0	0	0	0	0	490,411
Compensated Absences Payable	23,631	22,264	92,235	3,800	141,930	0
Revenue Bonds Payable	0	0	430,000	0	430,000	0
<b>Total Current Liabilities</b>	<b>118,498</b>	<b>136,713</b>	<b>2,217,873</b>	<b>42,831</b>	<b>2,515,915</b>	<b>495,335</b>
Noncurrent Liabilities:						
Interfund Note Payable	0	533,295	293,225	377,975	1,204,495	0
Compensated Absences Payable - Net of Current Portion	281,631	264,351	715,307	44,779	1,306,068	0
Revenue Bonds Payable - Net of Current Portion	0	0	10,050,000	0	10,050,000	0
<b>Total Noncurrent Liabilities</b>	<b>281,631</b>	<b>797,646</b>	<b>11,058,532</b>	<b>422,754</b>	<b>12,560,563</b>	<b>0</b>
<b>Total Liabilities</b>	<b>400,129</b>	<b>934,359</b>	<b>13,276,405</b>	<b>465,585</b>	<b>15,076,478</b>	<b>495,335</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt Unrestricted	5,237,058 1,832,426	9,859,300 233,212	13,399,154 6,822,277	641,387 512,579	29,136,899 9,400,494	177,236 35,642
<b>Total Net Assets</b>	<b>\$7,069,484</b>	<b>\$10,092,512</b>	<b>\$20,221,431</b>	<b>\$1,153,966</b>	<b>38,537,393</b>	<b>\$212,878</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					9,033	
Net Assets of Business-Type Activities					<u>\$38,546,426</u>	

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 Year Ended December 31, 2004**

	Sewer	Water	Electric	All Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
<b>Operating Revenues</b>						
Charges for Services	\$3,152,300	\$2,061,048	\$21,950,840	\$1,585,439	\$28,749,627	\$2,431,733
Tap-In Fees	0	0	0	0	0	250
<i>Total Operating Revenues</i>	<u>3,152,300</u>	<u>2,061,048</u>	<u>21,950,840</u>	<u>1,585,439</u>	<u>28,749,627</u>	<u>2,431,983</u>
<b>Operating Expenses</b>						
Personal Services	1,137,314	1,403,365	3,533,938	378,261	6,452,878	12,090
Operations and Maintenance	0	0	699,108	0	699,108	0
Contractual Services	855,683	429,453	15,618,530	744,023	17,647,689	288,616
Materials and Supplies	162,817	264,294	184,376	68,397	679,884	279,629
Claims	0	0	0	0	0	2,096,077
Intergovernmental	0	0	1,108,974	0	1,108,974	0
Depreciation	142,728	261,467	1,497,453	84,331	1,985,979	10,869
Capital Outlay	0	0	298,036	0	298,036	0
Other	1,765	706	72	6	2,549	0
<i>Total Operating Expenses</i>	<u>2,300,307</u>	<u>2,359,285</u>	<u>22,940,487</u>	<u>1,275,018</u>	<u>28,875,097</u>	<u>2,687,281</u>
<i>Operating Income (Loss)</i>	<u>851,993</u>	<u>(298,237)</u>	<u>(989,647)</u>	<u>310,421</u>	<u>(125,470)</u>	<u>(255,298)</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest	0	40,274	159,157	0	199,431	0
Investment in Joint Venture	0	0	331,365	0	331,365	0
Interest and Fiscal Charges	(182,021)	(18,837)	(503,999)	(12,699)	(717,556)	0
Loss on Disposal of Capital Assets	0	0	(63,054)	0	(63,054)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(182,021)</u>	<u>21,437</u>	<u>(76,531)</u>	<u>(12,699)</u>	<u>(249,814)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	<u>669,972</u>	<u>(276,800)</u>	<u>(1,066,178)</u>	<u>297,722</u>	<u>(375,284)</u>	<u>(255,298)</u>
Transfers Out	0	0	(2,325)	0	(2,325)	0
<i>Change in Net Assets</i>	<u>669,972</u>	<u>(276,800)</u>	<u>(1,068,503)</u>	<u>297,722</u>	<u>(377,609)</u>	<u>(255,298)</u>
<i>Net Assets at Beginning 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>
<i>Net Assets at End of Year</i>	<u>\$7,069,484</u>	<u>\$10,092,512</u>	<u>\$20,221,431</u>	<u>\$1,153,966</u>		<u>\$212,878</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					(126,937)	
Change in Net Assets of Business-Type Activities					<u>(\$504,546)</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, 2004

	Enterprise Funds			Total Enterprise Funds	Governmental Activity	
	Sewer	Water	Electric		Internal Service Funds	
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$3,018,292	\$2,016,940	\$21,523,042	\$1,569,458	\$28,127,732	\$2,448,434
Cash Payments to Employees for Services	(1,161,210)	(1,403,224)	(5,015,459)	(624,729)	(8,204,622)	(7,166)
Cash Payments for Goods and Services	(1,205,716)	(662,885)	(14,985,398)	(810,018)	(17,664,017)	(588,584)
Cash Payments for Claims	0	0	0	0	0	(1,717,061)
Other Operating Expenses	(1,765)	(706)	(72)	(6)	(2,549)	0
Intergovernmental Expenses	0	0	(1,108,974)	0	(1,108,974)	0
Net Cash Provided by (Used for) Operating Activities	649,601	(49,875)	413,139	134,705	1,147,570	135,623
<b>Cash Flows from Noncapital Financing Activities</b>						
Operating Transfers Out	0	0	(2,325)	0	(2,325)	0
Interfund Notes Receivable	0	(163,940)	(590,760)	0	(754,700)	0
Interfund Notes Receivable Repaid from Other Funds	111,388	101,262	610,103	81,010	903,763	0
Interfund Bond Receivable	0	(68,482)	(256,806)	0	(325,288)	0
Interfund Bonds Receivable Repaid from Other Funds	43,942	39,947	240,680	31,958	356,527	0
Proceeds of Internal Notes	0	533,295	293,225	377,975	1,204,495	0
Repayment of Internal Notes	0	(571,900)	(411,336)	(236,250)	(1,219,486)	0
Interest Payments	0	(17,157)	0	0	(17,157)	0
Net Cash Provided by Noncapital Financing Activities	155,330	(146,975)	(117,219)	254,693	145,829	0
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition of Capital Assets	0	(25,977)	(572,061)	(195,580)	(793,618)	0
Proceeds from Sale of Capital Assets	9,600	0	513	0	10,113	0
Principal Payments	(303,419)	0	(419,167)	0	(722,586)	0
Interest Payments	(182,021)	0	(492,116)	(7,088)	(681,225)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	(475,840)	(25,977)	(1,482,831)	(202,668)	(2,187,316)	0
<b>Cash Flows from Investing Activities</b>						
Interest on Investments	0	40,274	156,206	0	196,480	0
Investment in Joint Venture	0	0	5,743	0	5,743	0
Net Cash Provided by Investing Activities	0	40,274	161,949	0	202,223	0
Net Increase (Decrease) in Cash and Cash Equivalents	329,091	(182,553)	(1,024,962)	186,730	(691,694)	135,623
Cash and Cash Equivalents Beginning of Year	1,425,170	643,994	1,269,047	529,074	3,867,285	350,891
Cash and Cash Equivalents End of Year	\$1,754,261	\$461,441	\$244,085	\$715,804	\$3,175,591	\$486,514
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating Income (Loss)	\$851,993	(\$298,237)	(\$989,647)	\$310,421	(\$125,470)	(\$255,298)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Depreciation	142,728	261,467	1,497,453	84,331	1,985,979	10,869
Work in Progress Inventory Not Capitalized	0	0	694,713	0	694,713	0
<b>(Increase) Decrease in Operating Assets:</b>						
Accounts Receivable	(134,008)	(44,108)	(427,798)	(15,981)	(621,895)	16,451
Prepaid Items	116	(572)	(883)	(315)	(1,654)	0
Materials and Supplies Inventory	(1,085)	1,367	(194,143)	0	(193,861)	(20,339)
<b>Increase (Decrease) in Operating Liabilities:</b>						
Accounts Payable	(169,632)	20,137	129,781	(50,177)	(69,891)	0
Accrued Wages and Benefits	4,620	16,320	5,996	(94,790)	(67,854)	0
Compensated Absences Payable	(42,923)	(9,489)	(296,772)	(102,437)	(451,621)	0
Intergovernmental Payable	(2,208)	3,240	(5,561)	3,653	(876)	4,924
Claims Payable	0	0	0	0	0	379,016
Total Adjustments	(202,392)	248,362	1,402,786	(175,716)	1,273,040	390,921
Net Cash Provided by (Used for) Operating Activities	\$649,601	(\$49,875)	\$413,139	\$134,705	\$1,147,570	\$135,623

See accompanying notes to the basic financial statements

**City of Wadsworth, Ohio**  
**Medina County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**December 31, 2004**

---

	<u>Agency</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$99,793
Cash and Cash Equivalents in Segregated Accounts	946,961
Cash and Cash Equivalents With Fiscal Agent	<u>138,481</u>
Total Current Assets	<u>1,185,235</u>
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>301,021</u>
Total Noncurrent Assets	<u>301,021</u>
<i>Total Assets</i>	<u><u>\$1,486,256</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	139,269
Retainage Payable	<u>1,045,966</u>
Total Current Liabilities	<u>1,185,235</u>
Current Liabilities Payable From Restricted Assets:	
Refundable Deposits	<u>301,021</u>
<i>Total Liabilities</i>	<u><u>\$1,486,256</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, 2004**

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

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

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

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

The City is associated with the Ohio Municipal Electric Generation Agency Joint Venture 1, 2, 5 and 6 and the Woodlawn Union Cemetery, all of which are joint ventures. The City is also associated with the Municipal Energy Services Agency which is defined as a jointly governed organization. These organizations are presented in Notes 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 City has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the City's accounting policies are described below.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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, 2004**

**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, 2004**

**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.

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, 2004**

**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, 2004**

**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, 2004, but which were levied to finance year 2005 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, 2004**

**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 2004.

***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, 2004**

**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, 2004**

**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, 2004.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. During the year 2004, interest revenue credited to the water fund and electric fund amounted to \$40,274 and \$159,157, which includes \$126,186 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, 2004, 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, 2004**

**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 for all items having a cost of five thousand dollars or more. Exceptions exist for items such as an interest in land, which is always capitalized. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

**K. Compensated Absences**

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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, 2004**

**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.

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 2004.

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**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 -- RECONCILIATION OF GOVERNMENT-WIDE AND PROPRIETARY STATEMENT OF FUND NET ASSETS**

Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets

The proprietary fund statement of net assets includes a reconciliation between *net assets – total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the sole element of that reconciliation is “adjustment to reflect the consolidation of internal service fund activities related to enterprise funds”. The details of this \$10,045 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities	
- prior years	\$135,970
Internal receivable representing charges in excess of cost to business-type activities	
- current year	<u>(126,937)</u>
Net adjustment to increase net assets - total enterprise funds to arrive at net assets	
- business-type activities	<u><u>\$9,033</u></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.

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).

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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	\$4,414	(\$149,099)
Net Adjustment for Revenue Accruals	595,539	(31,890)
Net Adjustment for Expenditure Accruals	(1,200,729)	(8,686)
Encumbrances	462,787	2,165
Budget Basis	(\$137,989)	(\$187,510)

**NOTE 5 – ACCOUNTABILITY AND COMPLIANCE**

Deficit Fund Balances

The following funds had a deficit in fund balance at December 31, 2004:

Fund	Deficit
Capital Project Funds	
CDBG	(\$814)
CHIP Grant Fiscal Year 2003	(10,269)

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.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

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

**Deposits** - At year end, the carrying amount of the City's deposits was \$5,410,720 and the bank balance was \$6,231,341. Of the bank balance:

1. \$1,458,073 was covered by federal depository insurance; and
2. \$4,773,268 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.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

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

	Category 3	Fair Value
Overnight Repurchase Agreements	\$1,270,025	\$1,270,025
Federal Agency Securities	7,937,286	7,937,286
	<u>\$9,207,311</u>	
STAR Ohio		2,089,677
Total Investments		<u>\$11,296,988</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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$16,707,708	\$0
Investments of Cash Management Pool:		
FNMA	(4,950,548)	4,950,548
GNMA	(5,602)	5,602
Overnight Repurchase Agreements	(1,270,025)	1,270,025
STAR Ohio	(2,089,677)	2,089,677
FHLMC	(1,987,792)	1,987,792
FHLB	(993,344)	993,344
GASB Statement No. 3	<u>\$5,410,720</u>	<u>\$11,296,988</u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services, rents and royalties), interfund, 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.

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**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 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35% of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25% of true value.

The full tax rate for all City operations for the year ended December 31, 2004, was \$5.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$297,485,510	71.81%
Commercial/Industrial/Mineral	76,330,980	18.43%
Public Utilities	5,090	0.00%
Tangible Personal Property Valuation:		
General	37,504,132	9.05%
Public Utilities	2,942,570	0.71%
Total Valuation	<u>\$414,268,282</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.

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 9 - INCOME TAX**

The City levies and collects an income tax of 1.3% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit for the tax paid to another municipality to offset up to 1.0% of the total rate. Residents are required to remit the remaining 0.3% to the City's tax collection agency. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Withheld income taxes and other various income tax collections for 2004 received 60 days after year-end have been recognized as revenue in 2004.

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 2004 income tax revenue was distributed to the following funds: General; Recreation; Street; and Capital Improvement.

**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, 2004 is as follows:

	Balance 01/01/2004	Additions	Retirements	Balance 12/31/2004
Revolving Loan Fund Rate 5%	\$10,113	\$0	(\$10,113)	\$0

**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.



**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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 or omissions, and natural disasters.

1. Blanket building and personal property insurance, with a \$2,500 deductible and a \$22,135,782 limit on buildings, \$7,057,408 on business personal property and \$91,345 on property in the open.
2. Vehicle liability insurance with physical damage, comprehensive and collision subject to a \$1,000,000 limit per accident or loss. A deductible of \$2,000 applies to the Pierce Fire Truck and to the Spartan Tanker.
3. Law enforcement liability coverage with a \$1,000,000 limit and a \$10,000 deductible.
4. Public officials liability coverage with a \$1,000,000 limit and a \$10,000 deductible.
5. Umbrella liability coverage of \$5,000,000 per occurrence and aggregate.

**B. Workers' Compensation**

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

**C. Health Insurance**

The City has elected to provide employee medical, prescription and dental benefits through a self-insurance program with a Stop Loss Policy to insure against any larger loss. The City maintains a self-insurance fund, number 720, to account for and finance its risk of loss. Stop loss coverage of \$1,000,000 with an aggregate of \$2,000,000 is purchased subject to a \$100,000 deductible. The Fund is financed by assessing City Departments the amount necessary to pay all costs and maintain a reasonable carryover balance. Currently, the Departments are assessed per each employee at the rate of \$324.16 per individual coverage and \$858.59 per family coverage. Employee contributions per pay are \$5.00 for single coverage and \$10.00 for family. Coverage is administered by Medical Mutual, a third party administrator.

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 12 - RISK MANAGEMENT** (continued)

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

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

The claims liability of \$490,411 reported in the self-insurance fund at December 31, 2004 is based on the requirements of GASB Statement No. 10 “Accounting and Financial Reporting for Risk Financing and Related Insurance Services” which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City’s third party administrator. A summary of the fund’s claims liability during the past two years is as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$230,173	\$1,761,853	(\$1,880,631)	\$111,395
2004	\$111,395	\$2,094,096	(\$1,715,080)	\$490,411

**NOTE 13 – CAPITAL ASSETS**

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

	Beginning Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$3,960,515	\$0	\$0	\$3,960,515
Construction in Progress	0	255,346	0	255,346
Total Capital Assets, Not Being Depreciated	3,960,515	255,346	0	4,215,861
Capital Assets, Being Depreciated:				
Buildings	7,606,368	3,799	0	7,610,167
Land Improvements	1,519,604	2,787	0	1,522,391
Vehicles	3,624,233	10,127	(91,684)	3,542,676
Equipment	1,968,090	5,594	0	1,973,684
Infrastructure	23,797,379	414,321	0	24,211,700
Total Capital Assets, Being Depreciated	38,515,674	436,628	(91,684)	38,860,618

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 13 – CAPITAL ASSETS (continued)**

	Beginning Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
Less Accumulated Depreciation:				
Buildings	(2,404,403)	(177,449)	0	(2,581,852)
Land Improvements	(595,896)	(35,088)	0	(630,984)
Vehicles	(2,101,299)	(204,486)	83,997	(2,221,788)
Equipment	(1,077,820)	(147,922)	0	(1,225,742)
Infrastructure	(5,148,474)	(412,328)	0	(5,560,802)
Total Accumulated Depreciation	<u>(11,327,892)</u>	<u>(977,273)</u>	<u>83,997</u>	<u>(12,221,168)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,187,782</u>	<u>(540,645)</u>	<u>(7,687)</u>	<u>26,639,450</u>
Governmental Activities Capital Assets, Net	<u>\$31,148,297</u>	<u>(\$285,299)</u>	<u>(\$7,687)</u>	<u>\$30,855,311</u>

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

	Beginning Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$482,260	\$10,426	\$0	\$492,686
Construction in Progress	80,000	27,490	0	107,490
Infrastructure Work in Progress	<u>2,709,491</u>	<u>228,629</u>	<u>(2,021,925)</u>	<u>916,195</u>
Total Capital Assets, Not Being Depreciated	<u>3,271,751</u>	<u>266,545</u>	<u>(2,021,925)</u>	<u>1,516,371</u>
Capital Assets, Being Depreciated:				
Buildings	6,646,860	341	0	6,647,201
Land Improvements	7,258	0	0	7,258
Vehicles	3,457,152	230,788	(42,000)	3,645,940
Equipment	1,554,169	46,828	(20,000)	1,580,997
Infrastructure	<u>50,524,460</u>	<u>1,576,328</u>	<u>(156,965)</u>	<u>51,943,823</u>
Total Capital Assets, Being Depreciated	<u>62,189,899</u>	<u>1,854,285</u>	<u>(218,965)</u>	<u>63,825,219</u>

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 13 – CAPITAL ASSETS (continued)**

	Beginning Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
Less Accumulated Depreciation:				
Buildings	(3,266,398)	(132,617)	0	(3,399,015)
Land Improvements	(726)	(363)	0	(1,089)
Vehicles	(2,053,043)	(280,553)	42,000	(2,291,596)
Equipment	(769,554)	(87,291)	10,400	(846,445)
Infrastructure	(17,794,789)	(1,485,155)	93,398	(19,186,546)
Total Accumulated Depreciation	<u>(23,884,510)</u>	<u>(1,985,979)</u>	<u>145,798</u>	<u>(25,724,691)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,305,389</u>	<u>(131,694)</u>	<u>(73,167)</u>	<u>38,100,528</u>
Business-Type Activities Capital Assets, Net	<u>\$41,577,140</u>	<u>\$134,851</u>	<u>(\$2,095,092)</u>	<u>\$39,616,899</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$173,741
Security of Persons and Property	557,839
Public Health and Welfare	39,504
Transportation	110,190
Leisure Time Activities	95,999
Total	<u>\$977,273</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:

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.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS** (continued)

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 2004, 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, 2004, 2003 and 2002 were \$953,145, \$976,036 and \$830,337, respectively, equal to the required contributions for each year. 91.47% has been contributed for 2004.

***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, 2004, 2003 and 2002 were \$243,648, \$300,871 and \$286,487, respectively, equal to the required contributions for each year. 74.70% has been contributed for 2004.

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS** (continued)

**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.

OPERS provides post-retirement health care coverage to age and service retirees 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 2004 employer contribution rate was 13.55% of covered payroll; 4.0% was the portion that was used to fund health care for the year 2004. The City's actual contributions for 2004 which were used to fund post-employment benefits were \$399,223.

The assumptions and calculations below were based on OPERS's latest actuarial review performed as of December 31, 2003, 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.0% to 6.0% for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 15 – POST EMPLOYMENT BENEFITS (continued)**

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 2004, the number of active contributing participants was 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

***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 2004 which were used to fund post-employment benefits were \$149,221.

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 15 – POST EMPLOYMENT BENEFITS (continued)**

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The OP&F’s total health care expenses for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**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, 2004, the City’s liability for compensated absences was \$1,742,196 for governmental activities and \$1,447,998 for business-type activities.

**NOTE 17 – SHORT-TERM OBLIGATIONS**

Changes in the short-term obligations of the City during 2004 were as follows:

	Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
<b>Business-Type Activities</b>				
<b>OWDA Loan</b>				
OWDA Loan from Medina County				
6.65%, Due through 2005	\$303,419	\$0	(\$303,419)	\$0



**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 18 – LONG-TERM OBLIGATIONS**

	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
1997 City Hall Construction	8.00%	\$3,500,000	December 1, 2009
1986 Downtown Sidewalk Improvement	9.25%	228,000	December 1, 2005
1968 Liability for Police Past Service Cost	2.36%	124,769	May 15, 2035
<b>Business-Type Activities:</b>			
2000 American Municipal Power - Ohio	1.65% - 5.25%	11,645,000	February 15, 2022

Long-term liability activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
<b>Governmental Activities:</b>					
1997 City Hall Construction General Obligation Bond	\$1,980,000	\$0	(\$295,000)	\$1,685,000	\$305,000
1986 Downtown Sidewalk Improvement Special Assessment Bond	24,000	0	(12,000)	12,000	12,000
1968 Liability for Police Past Service Cost	107,686	0	(1,679)	106,007	1,752
<b>Total Long-Term Debt</b>	<b>2,111,686</b>	<b>0</b>	<b>(308,679)</b>	<b>1,803,007</b>	<b>318,752</b>
Intergovernmental Payable	27,283	8,879	0	36,162	3,617
Compensated Absences	1,524,831	247,748	(66,543)	1,706,036	129,068
<b>Governmental Activities - Long-Term Liabilities</b>	<b>\$3,663,800</b>	<b>\$256,627</b>	<b>(\$375,222)</b>	<b>\$3,545,205</b>	<b>\$451,437</b>
<b>Business-Type Activities:</b>					
2000 American Municipal Power-Ohio Revenue Bonds	\$10,899,167	\$0	(\$419,167)	\$10,480,000	\$430,000
Less Deferred Amounts: Unamortized Premium on Bonds	64,930	0	(2,951)	61,979	0
<b>Total Long-Term Debt</b>	<b>10,964,097</b>	<b>0</b>	<b>(422,118)</b>	<b>10,541,979</b>	<b>430,000</b>
Compensated Absences	1,899,619	253,121	(704,742)	1,447,998	141,930
<b>Business-Type - Long-Term Liabilities</b>	<b>\$12,863,716</b>	<b>\$253,121</b>	<b>(\$1,126,860)</b>	<b>\$11,989,977</b>	<b>\$571,930</b>

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 18 – LONG-TERM OBLIGATIONS** (continued)

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.

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

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

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, 2004, are as follows:

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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
2005	\$1,752	\$4,486	\$305,000	\$79,825	\$12,000	\$1,110	\$430,000	\$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	2,072	4,166	370,000	18,130	0	0	475,000	434,873
2010 - 2014	11,775	19,415	0	0	0	0	2,685,000	1,849,810
2015 - 2019	14,532	16,658	0	0	0	0	3,435,000	1,083,862
2020 - 2024	17,932	13,258	0	0	0	0	2,120,000	192,625
2025 - 2029	22,130	9,060	0	0	0	0	0	0
2030 - 2035	30,095	3,940	0	0	0	0	0	0
Total	\$106,007	\$83,978	\$1,685,000	\$249,835	\$12,000	\$1,110	\$10,480,000	\$5,462,416

**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, 2004**

**NOTE 20 – INTERFUND TRANSACTIONS (continued)**

Following is a detail of Interfund Notes Receivable/Payable, by debt issue, during 2004:

	Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
<b>Governmental Funds:</b>				
<b>Non-Major Governmental Funds</b>				
1996 Waterslide				
Issue: 04/02, Maturity 04/03, Rate 4.00%	\$6,875	\$0	(\$6,875)	\$0
1997 Salt Shed				
Issue: 11/02, Maturity 11/03, Rate 4.00%	23,750	0	(11,875)	11,875
2002 Durling Drive Improvements				
Issue: 07/02, Maturity 07/03, Rate 4.00%	21,620	650	0	22,270
2002 Sidewalk Improvement				
Issue: 10/03, Maturity 10/04, Rate 3.00%	27,000	0	(27,000)	0
2004 Street Improvement				
Issue: 09/04, Maturity 09/05, Rate 4.00%	0	9,400	0	9,400
Total Governmental Funds	<u>79,245</u>	<u>10,050</u>	<u>(45,750)</u>	<u>43,545</u>
<b>Proprietary Funds:</b>				
<b>Water Fund</b>				
1997 Development of Water Wells				
Issue: 09/02, Maturity 09/03, Rate 4.00%	82,650	0	(16,530)	66,120
1997 Bird Street Tank Painting				
Issue: 10/02, Maturity 10/03, Rate 4.00%	11,750	0	(5,875)	5,875
2001 Lagoon Restoration				
Issue: 11/02, Maturity 11/03, Rate 4.00%	112,500	0	(18,750)	93,750
2002 Water Supply Prof. Services				
Issue: 03/02, Maturity 04/03, Rate 4.00%	85,000	0	(85,000)	0
2002 Water Treatment Plant				
Issue: 04/02, Maturity 04/03, Rate 4.00%	280,000	0	(40,000)	240,000
2004 Rogues Hollow Well				
Issue: 12/04, Maturity 12/05, Rate 4.00%	0	127,550	0	127,550
Total Water	<u>571,900</u>	<u>127,550</u>	<u>(166,155)</u>	<u>533,295</u>

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 20 – INTERFUND TRANSACTIONS (continued)**

	Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
<b>Electric Fund</b>				
1996 Cable TV Headend				
Issue: 03/02, Maturity 03/03, Rate 4.00%	271,650	0	(271,650)	0
2003 Broadband Communications				
Issue: 10/03, Maturity 10/04, Rate 3.00%	139,686	0	(17,461)	122,225
2004 Broadband Communications				
Issue: 10/04, Maturity 10/05, Rate 4.00%	0	171,000	0	171,000
Total Electric	<u>411,336</u>	<u>171,000</u>	<u>(289,111)</u>	<u>293,225</u>
<b>All Other Enterprise Funds</b>				
<b>Sanitation</b>				
2001 Sanitation Equipment Acquisition				
Issue: 10/02, Maturity 10/03, Rate 4.00%	236,250	0	(39,375)	196,875
<b>Telecom</b>				
1996 Cable TV Headend				
Issue: 03/04, Maturity 03/05, Rate 3.00%	0	181,100	0	181,100
Total All Other Enterprise Funds	<u>236,250</u>	<u>181,100</u>	<u>(39,375)</u>	<u>377,975</u>
Total Proprietary Funds	<u>\$1,219,486</u>	<u>\$479,650</u>	<u>(\$494,641)</u>	<u>\$1,204,495</u>

The following is a summary of interfund notes, outstanding at December 31, 2004:

	Receivable Funds					Total Interfund Notes Payable
	General Fund	Income Tax Fund	Non-Major Governmental Funds	Water Fund	Electric Fund	
Payable Funds:						
Governmental Funds:						
Non-Major						
Governmental Funds	\$423	\$3,647	\$7,382	\$6,756	\$25,337	\$43,545

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 20 – INTERFUND TRANSACTIONS (continued)**

	Receivable Funds					Total Interfund Notes Payable
	General Fund	Income Tax Fund	Non-Major Governmental Funds	Water Fund	Electric Fund	
Payable Funds:						
Proprietary Funds:						
Water Fund	5,890	71,744	102,813	0	352,848	533,295
Electric Fund	6,293	76,629	109,806	100,497	0	293,225
Non-Major Enterprise Funds	3,550	43,224	61,939	56,687	212,575	377,975
Total Proprietary Funds	<u>15,733</u>	<u>191,597</u>	<u>274,558</u>	<u>157,184</u>	<u>565,423</u>	<u>1,204,495</u>
Total Interfund Notes Receivable	<u>\$16,156</u>	<u>\$195,244</u>	<u>\$281,940</u>	<u>\$163,940</u>	<u>\$590,760</u>	<u>\$1,248,040</u>

The following is a detail of Interfund Bonds Receivable/Payable, by debt issue during 2004:

	Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
<b>Governmental Activities:</b>				
Second and Wood Improvements				
Issue: 09/89, Maturity 09/04, Rate 8.00%	\$4,887	\$0	(\$4,887)	\$0
Waverly Improvement				
Issue: 04/90, Maturity 04/05, Rate 8.00%	15,357	0	(7,379)	7,978
Westwood Improvement				
Issue: 09/90, Maturity 08/03, Rate 8.00%	14,161	0	(6,808)	7,353
Grandview Improvement				
Issue: 09/91, Maturity 09/06, Rate 7.00%	35,395	0	(11,010)	24,385
1994 Seville Road Sanitary Sewer				
Issue: 07/94, Maturity 07/09, Rate 7.00%	3,639	0	(509)	3,130
Archwood Waterline				
Issue: 07/94, Maturity 07/09, Rate 7.00%	3,873	0	(1,862)	2,011
1993 Great Oaks Extension				
Issue: 09/94, Maturity 09/14, Rate 8.00%	201,339	0	(12,756)	188,583
1997 Rittman Road Waterline				
Issue: 07/97, Maturity 07/12, Rate 6.50%	18,212	0	(1,552)	16,660

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 20 – INTERFUND TRANSACTIONS (continued)**

	Balance 01/01/2004	Additions	Deletions	Balance 12/31/2004
1999 Silvercrest Waterline				
Issue: 10/98, Maturity 10/13, Rate 6.00%	48,192	0	(3,656)	44,536
1998 Silvercrest Sewer				
Issue: 08/99, Maturity 08/14, Rate 6.00%	58,268	0	(3,892)	54,376
1999 Mechanic Street				
Issue: 08/99, Maturity 08/04, Rate 6.00%	37,669	0	(5,400)	32,269
1998 College Street Sidewalk				
Issue: 08/99, Maturity 08/04, Rate 6.00%	2,640	0	(2,640)	0
1998 Sidewalk Improvement				
Issue: 08/99, Maturity 08/04, Rate 6.00%	2,011	0	(2,011)	0
1998 Street Program				
Issue: 08/99, Maturity 08/04, Rate 6.00%	1,153	0	(1,153)	0
1999 Street Program				
Issue: 08/00, Maturity 08/05, Rate 6.00%	6,128	0	(2,974)	3,154
2000 Grace Drive Sanitary Sewer				
Issue: 09/00, Maturity 09/15, Rate 8.00%	4,905	0	(258)	4,647
1999 Sidewalk Program				
Issue: 08/01, Maturity 08/06, Rate 6.00%	5,125	0	(1,610)	3,515
2000 Street Improvement				
Issue: 08/01, Maturity 08/06, Rate 6.00%	6,084	0	(1,911)	4,173
Southeast Downtown				
Issue: 08/01, Maturity 08/11, Rate 6.00%	22,593	0	(2,283)	20,310
2000 Sidewalk Improvement				
Issue: 08/01, Maturity 08/06, Rate 6.00%	2,461	0	(773)	1,688
2001 Street Improvement				
Issue: 09/02, Maturity 09/07, Rate 4.00%	5,322	0	(1,253)	4,069
2001 Sidewalk Improvement				
Issue: 09/02, Maturity 09/07, Rate 4.00%	6,303	0	(1,484)	4,819
2002 Sidewalk Improvement				
Issue: 09/03, Maturity 09/08, Rate 3.00%	6,622	0	(1,247)	5,375
2001 Sidewalk Improvement				
Issue: 09/04, Maturity 09/07, Rate 4.00%	0	10,941	0	10,941
2002 Sidewalk Improvement				
Issue: 09/04, Maturity 09/09, Rate 4.00%	0	12,651	0	12,651
Total Governmental Activities	<u>\$512,339</u>	<u>\$23,592</u>	<u>(\$79,308)</u>	<u>\$456,623</u>

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 20 – INTERFUND TRANSACTIONS (continued)**

Interfund transfers for the year ended December 31, 2004 consisted of the following:

	Transfers In:		Total
	General Fund	Non-Major Governmental Funds	
Transfers Out:			
General Fund	\$0	\$1,200	\$1,200
Income Tax Fund	3,400,000	1,656,000	5,056,000
Electric Fund	0	2,325	2,325
Total	<u>\$3,400,000</u>	<u>\$1,659,525</u>	<u>\$5,059,525</u>

Interfund receivable/payable for the year ended December 31, 2004 consisted of the following:

Payable Fund	Receivable Fund
Non-Major Governmental Funds	General Fund - \$235,700

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The transfer from the Water Fund was to provide debt service payments being paid out of the capital projects fund.

**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.



**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 22 - JOINT VENTURES**

OMEGA IV 1 and OMEGA IV 6

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 and 6 (OMEGA JV 1 and OMEGA JV 6) 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 four wind turbine units in OMEGA JV 6 were transferred to the municipal electrical systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia and Pennsylvania that own and operate electric systems. Each participant has a contract which provides for AMP-Ohio to purchase the right to each participant’s share of power and energy that is made available through the joint venture contract. The City’s equity interest in JV 1 and JV 6 is reported in the City’s electric enterprise fund. The City’s undivided ownership of OMEGA JV 1 and OMEGA JV 6 is 11.24 and 3.47%, respectively. The City’s equity interest was \$52,085 and \$343,509 for JV 1 and JV 6, respectively, at December 31, 2004. The following is a summary of audited financial information of OMEGA JV 1 and OMEGA JV 6 for the year ended December 31, 2004:

	OMEGA JV 1	OMEGA JV 6
Total Assets	\$761,171	\$10,440,205
Total Liabilities	297,785	540,797
Participants Equity	463,386	9,899,408
Total Revenues	248,319	200,812
Total Expenses	237,064	351,404
Excess (Deficiency) Income Over (Under) Expenses	11,255	(150,592)

Additional financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. OMEGA JV 1 and OMEGA JV 6 are not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City.

OMEGA IV 2

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 22 - JOINT VENTURES** (continued)

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement, each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV 2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004, the City of Wadsworth has met their debt coverage obligations.

OMEGA JV 2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 Megawatt (MW) of distributed generation of which 134.081 MW is the participants entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV 2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV 2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV 2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV 2. The City's net obligation for these bonds at December 31, 2004 was \$2,790,554 (including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV 2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV 2 was \$2,724,092 at December 31, 2004. Complete financial statements for OMEGA JV 2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 22 - JOINT VENTURES** (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$137,775	\$158,656	\$296,431
2006	143,701	152,801	296,502
2007	149,627	147,053	296,680
2008	157,034	139,571	296,605
2009 - 2020	<u>2,642,172</u>	<u>916,184</u>	<u>3,558,356</u>
Total Gross Liability	3,230,309	<u>\$1,514,265</u>	<u>\$4,744,574</u>
Less: Amounts Held in Reserve	<u>(439,755)</u>		
Net Obligation	<u>\$2,790,554</u>		

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

	<u>OMEGA JV 2</u>
Total Assets	\$48,687,146
Total Liabilities	1,800,880
Participants Equity	46,886,266
Total Revenues	2,348,002
Total Expenses	4,802,075
(Deficiency) Income	
(Under) Expenses	(2,454,073)

**OMEGA JV 5**

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

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

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

**CITY OF WADSWORTH, OHIO  
MEDINA COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 22 - JOINT VENTURES** (continued)

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV 5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement, each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV 5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004, the City has met their debt coverage obligation.

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

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

The City's net investment and its share of operating results of OMEGA JV 5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV 5 was \$485,855 at December 31, 2004. Complete financial statements for OMEGA JV 5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The following is a summary of audited financial information of OMEGA JV 5 for the year ended December 31, 2004:

**CITY OF WADSWORTH, OHIO  
 MEDINA COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 22 - JOINT VENTURES (continued)**

	OMEGA JV 5
Total Assets	\$181,033,333
Total Liabilities	172,388,221
Participants Equity	8,645,112
Total Revenues	21,527,028
Total Expenses	20,775,490
Excess Income Over Expenses	751,538

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, 2004 was as follows:

Total Receipts	\$164,264
Total Disbursements	<u>(\$177,992)</u>
Excess Receipts (Under) Disbursements	<u><u>(\$13,728)</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**  
**MEDINA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 24 – SEGMENT INFORMATION**

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

Combined Statement of Net Assets

	<u>Telecom</u>	<u>Sanitation</u>	<u>Total</u>
Assets			
Current Assets	\$181,100	\$797,064	\$978,164
Capital Assets	<u>0</u>	<u>641,387</u>	<u>641,387</u>
Total Assets	181,100	1,438,451	1,619,551
Liabilities			
Current Liabilities	10,344	32,487	42,831
Interfund Note Payable	181,100	196,875	377,975
Noncurrent Liabilities	<u>0</u>	<u>44,779</u>	<u>44,779</u>
Total Liabilities	191,444	274,141	465,585
Net Assets			
Invested in Capital Assets, Net of Related Debt	0	641,387	641,387
Unrestricted	<u>(10,344)</u>	<u>522,923</u>	<u>512,579</u>
Total Net Assets	<u><u>(\$10,344)</u></u>	<u><u>\$1,164,310</u></u>	<u><u>\$1,153,966</u></u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>Telecom</u>	<u>Sanitation</u>	<u>Total</u>
Charges for Services	\$0	\$1,585,439	\$1,585,439
Depreciation Expense	0	(84,331)	(84,331)
Other Operating Expenses	<u>(4,311)</u>	<u>(1,186,376)</u>	<u>(1,190,687)</u>
Operating Income (Loss)	(4,311)	314,732	310,421
Non-Operating Expenses			
Interest and Fiscal Charges	<u>(6,033)</u>	<u>(6,666)</u>	<u>(12,699)</u>
Change in Net Assets	(10,344)	308,066	297,722
Net Assets at Beginning of Year	<u>0</u>	<u>856,244</u>	<u>856,244</u>
Net Assets (Deficit) at End of Year	<u><u>(\$10,344)</u></u>	<u><u>\$1,164,310</u></u>	<u><u>\$1,153,966</u></u>

**CITY OF WADSWORTH, OHIO**  
**MEDINA COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 24 – SEGMENT INFORMATION** (continued)

Condensed Statement of Cash Flows

	<u>Telecom</u>	<u>Sanitation</u>	<u>Total</u>
Net Cash Provided by (Used for)			
Operating Activities	\$0	\$134,705	\$134,705
Noncapital Financing Activities	181,100	73,593	254,693
Capital and Related Financing Activities	<u>0</u>	<u>(202,668)</u>	<u>(202,668)</u>
Net Increase (Decrease)	181,100	5,630	186,730
Beginning Cash and Cash Equivalents	<u>0</u>	<u>529,074</u>	<u>529,074</u>
Ending Cash and Cash Equivalents	<u><u>\$181,100</u></u>	<u><u>\$534,704</u></u>	<u><u>\$715,804</u></u>

**This Page is Intentionally Left Blank.**



**CITY OF WADSWORTH, OHIO**

**AUDIT REPORT**

**DECEMBER 31, 2004**

**CITY OF WADSWORTH, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

---

---

TABLE OF CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Schedule of Citation	3
Status of Prior Citations and Recommendations	4

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

---

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadsworth, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the City of Wadsworth, Ohio's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Wadsworth, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation on one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Wadsworth, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Citation as Item 2004-1.

We also noted certain matters that we reported to the management of City of Wadsworth, Ohio, in a separate letter dated November 30, 2005.

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

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

November 30, 2005

**CITY OF WADSWORTH, OHIO  
SCHEDULE OF CITATION  
DECEMBER 31, 2004**

---

**2004-1 - Appropriations Exceeded Estimated Revenue**

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, 2004:

	<u>Total Certificate of Estimated Resources</u>	<u>Total Final Appropriations</u>	<u>Variance</u>
<b><u>Special Revenue</u></b>			
Fund 239 - MVL Permissive Tax	\$ 396,403	\$ 404,000	\$ (7,597)
<b><u>Capital Projects</u></b>			
Fund 401 - CDBG FY 1998	55,500	72,000	(16,500)
<b><u>Special Assessment</u></b>			
Fund 566 - Street Improvement 2001	168,673	183,044	(14,371)
<b><u>Enterprise</u></b>			
Fund 672 - Water Supply	229,396	4,087,550	(3,858,154)

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 and strictly follow the provisions set forth in ORC Section 5705.39.

Corrective Action

The City will implement the recommendation in 2005.

**CITY OF WADSWORTH, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

---

---

The prior audit report, as of December 31, 2003, 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  
FEBRUARY 9, 2006**