

**Wadsworth City School District**  
**Medina County, Ohio**

*Audited Financial Statements*

*June 30, 2010*





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Wadsworth City School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 24, 2011

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**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**JUNE 30, 2010**

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**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**JUNE 30, 2010**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

January 31, 2011

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadsworth City School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Hea & Associates, Inc.*

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The discussion and analysis of the Wadsworth City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2010 are as follows:

- General Revenues accounted for \$81.2 million in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5.9 million or 5.7% of total revenues. The special item accounted for \$15.8 million or 15.3% of total revenues of \$102.9 million.
- Total program expenses were \$46.5 million in governmental activities.
- In total, net assets of governmental activities increased \$56 million which represents a 210% increase from 2009.
- Outstanding debt increased from \$38,074,600 to \$108,338,232 as a result of a bond anticipation note, general obligation bonds and certificates of participation being issued to fund the construction costs of the Ohio Schools Facilities Commission (OSFC) project.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The financial statements of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the building fund, and the classroom facilities fund.

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

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

The proprietary fund financial statements begin on page 19.

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

The fiduciary fund financial statements begin on page 22.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

**(Table 1)**  
**Changes in Net Assets**

	Governmental Activities	
	2010	Restated 2009
<b>Assets</b>		
Current and Other Assets	\$ 166,064,394	\$ 55,563,444
Capital Assets	54,231,208	48,020,468
Total Assets	220,295,602	103,583,912
<b>Liabilities</b>		
Long-Term Liabilities	112,649,632	42,893,525
Other Liabilities	24,490,144	33,901,949
Total Liabilities	137,139,776	76,795,474
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	15,015,205	23,934,282
Restricted	70,319,211	13,106,502
Unrestricted (Deficit)	(2,178,590)	(10,252,346)
Total Net Assets	\$ 83,155,826	\$ 26,788,438

Total assets increased by \$116,711,690. This increase was primarily the result of cash on hand at year end due to three debt issuances. The School District issued \$29,050,000 million in Bond Anticipation Notes in September, 2009, proceeds from the issuance of Certificate of Participation in December 2009 for \$15,000,000, and the issuance of Build America Bonds of \$27,000,000 million in September 2009 for construction costs.

Total liabilities increased \$60,344,302. This increase was primarily the result of the debt issuances described above.

As a result of the above, overall net assets of the School District increased \$56,367,388, or 210% compared to fiscal year 2009.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009:

**(Table 2)**  
**Governmental Activities**

	2010	2009
<b>Revenues:</b>		
Charges for Services	\$ 2,613,842	\$ 2,496,032
Operating Grants	2,874,372	3,060,311
Capital grants and contributions	420,045	0
<b>General Revenues:</b>		
Property Taxes	20,810,732	20,727,091
Unrestricted donation of land	0	70,000
Grants and entitlements, not restricted	20,053,508	19,268,394
Capital grants not restricted to specific programs	39,621,003	1,566,587
Investment earnings	93,096	0
Premium on debt issuance	461,605	0
Other	197,838	549,486
<b>Total Revenues</b>	<b>87,146,041</b>	<b>47,737,901</b>
<b>Program Expenses:</b>		
Instruction	24,542,373	25,051,520
Support Services	14,846,114	16,191,338
Operation of Non-Instructional	278,060	355,691
Extracurricular Activities	1,133,305	1,037,356
Interest and Fiscal Charges	4,296,811	1,933,368
Food Service	1,380,015	1,364,934
Adult Education	84	0
Vocational Education	0	143,052
Bear Cub Academy/Bridges	71,105	63,558
<b>Total Expenses</b>	<b>46,547,867</b>	<b>46,140,817</b>
<b>Special Item</b>	<b>15,769,214</b>	<b>0</b>
<b>Increase in Net Assets</b>	<b>\$ 56,367,388</b>	<b>\$ 1,597,084</b>

A review of Table 2 reflects total revenues of \$87,146,041, which was an increase of \$39,408,140 as compared to 2009. The majority of the increase was in capital grants not restricted, which increased by \$38,054,416 in total.

Total expenses increased \$407,050, primarily within the instruction program. These increases were primarily the result of cost of new debt issuance.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

The School District reported \$15,769,214 as a special item in 2010 which represents funding provided by the City of Wadsworth, Ohio for the construction of a Community Center.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$102.9 million and expenditures of \$46.5 million.

**(Table 3)**  
**Governmental Activities**

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 24,542,373	\$ 22,741,889	\$ 25,051,520	\$ 22,797,071
Support Services:				
Pupil and Instructional Staff	4,232,066	3,396,537	3,905,183	3,330,362
Board of Education, Administration, Fiscal and Business	4,172,798	3,679,652	4,587,156	4,160,968
Operation and Maintenance of Plant	3,492,192	3,376,773	5,018,508	4,910,417
Pupil Transportation	1,679,714	1,600,383	1,700,154	1,660,523
Central	1,269,344	1,211,711	980,337	931,427
Operation of Non-Instructional	278,060	23,231	355,691	47,210
Food Services	1,380,015	(36,088)	1,364,934	(25,628)
Vocational Educational	0	0	143,052	141,516
Adult Educational	84	(3)	0	0
Bear Cub Academy/Bridges	71,105	1,613	63,558	8,191
Extracurricular Activities	1,133,305	767,144	1,037,356	689,049
Capital Outlay				
Interest and Fiscal Charges	4,296,811	3,876,766	1,933,368	1,933,368
Total Expenses	<u>\$ 46,547,867</u>	<u>\$ 40,639,608</u>	<u>\$ 46,140,817</u>	<u>\$ 40,584,474</u>

Instruction and student support services comprise 84.6% of governmental program expenses. Interest/fiscal charges were 9.2%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of plant accounts for 11.1% of governmental program expenses.

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

**The School District's Funds**

The fund financial statements for the School District's major funds start on page 14. The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue \$67,305,032 and total expenditures of \$54,165,447. The net change in fund balance for the fiscal year was most significant in the classroom facilities and building funds. This increase was primarily caused by the issuance of new debt.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***General Fund Budgeting Highlights***

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

During the course of fiscal year 2010, there were major changes to the School District's total general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, the final budget basis revenue decreased \$354,713 from the original budget estimates of approximately \$35.5 million. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$35.1 million were \$31,204 less than the final budgeted amounts, primarily from receiving less state foundation revenue than anticipated.

Actual expenditures of \$37.3 million were \$4,935 less than the final budgeted amounts. There were no significant activities or events that caused this variance.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2010, the School District had \$54.2 million invested in land, land improvements, buildings and improvements, furniture and fixtures, vehicles, and textbooks, infrastructure and construction in progress. Table 4 shows fiscal year 2010 balances compared with 2009.

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

	Governmental Activities	
	2010	Restated 2009
	<u>2010</u>	<u>2009</u>
Land	\$ 1,916,152	\$ 1,181,437
Land Improvements	1,597,307	1,740,750
Buildings and Improvements	37,155,023	38,187,593
Furniture and Fixtures	3,084,272	3,155,520
Vehicles	1,124,160	1,114,872
Textbooks	201,780	262,302
Infrastructure	175,553	76,701
Construction in Progress	8,976,961	2,301,293
	<u>\$ 54,231,208</u>	<u>\$ 48,020,468</u>

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

The \$6,210,740 increase in capital assets was primarily attributable to construction in progress exceeding depreciation in the current period. The School District began construction on several school buildings through the Ohio School Facilities Commission program. See Note 9 to the basic financial statements for detail of the School District's capital assets.

Ohio law required school district's to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2010, this amounted to \$790,488 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks. See Note 22 for additional information.

**Debt**

At June 30, 2010, the School District had \$108,338,232 in outstanding debt obligations with \$32,035,891 due within one year. Table 5 summarizes bonds and notes outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2010	Governmental Activities 2009
General Obligation Bonds:		
1998 School Improvements	\$ 1,190,000	\$ 1,745,000
1999 School Improvements	595,000	1,095,000
2000 School Improvements	0	100,000
2001 Library Improvements	3,290,006	3,545,006
2006 School Improvements (Refunding)	8,345,000	8,450,000
2007 School Improvements (Refunding)	8,150,000	8,250,000
2009 Series BQ Bonds	9,490,000	9,490,000
Capital Appreciation Bonds (All bonds)	2,529,968	2,529,968
Accretion on CAB'S (All bonds)	1,971,452	1,570,552
Premium (All bonds)	1,775,646	1,290,134
Refunding Loss (All bonds)	(548,840)	(591,060)
Energy Conservation Improvements	500,000	600,000
2009 Build America Bonds	27,000,000	0
Certificate of Participation	15,000,000	0
Bond Anticipation Note	29,050,000	0
	\$ 108,338,232	\$ 38,074,600
Totals		

In fiscal year 2010, the School District issued \$27,000,000 in Build America Bonds, a Certificate of Participation for \$15,000,000 and a bond anticipation note in the amount of \$29,050,000 for the school facilities construction project.

See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Current Issues***

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

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

Thus, School District's dependence upon property taxes is hampered by a lack of revenue growth, and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23.9% of revenues for governmental activities (excluding the special item) for the School District in fiscal year 2010.

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

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

The School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. The School District remains concerned about the future of revenue from state and local sources. The recent passage of House Bill 1 that states biennial budget for fiscal years 2010 and 2011 shows no growth from state sources and new mandates from the "Evidence Based Model" such as smaller class size and all day kindergarten. In fact, the School District's total general fund revenue was only \$50,000 more than what was received three years ago in fiscal year 2007.

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

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

**Wadsworth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Contacting the Wadsworth City School District's Financial Management***

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

**Wadsworth City School District**

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 123,850,048
Receivables:	
Property Tax	20,548,040
Accounts	80,294
Accrued Interest	3,948
Intergovernmental	20,824,278
Deferred Charges	757,786
Nondepreciable Capital Assets	10,893,113
Depreciable Capital Assets (Net)	<u>43,338,095</u>
<i>Total Assets</i>	<u>220,295,602</u>
<b>Liabilities</b>	
Accounts Payable	166,263
Contracts Payable	1,412,150
Accrued Wages and Benefits	3,317,991
Vacation Benefits Payable	191,204
Matured Compensated Absences Payable	1,398
Intergovernmental Payable	1,146,489
Deferred Revenue	17,157,381
Accrued Interest Payable	825,053
Claims Payable	272,215
Long Term Liabilities:	
Due Within One Year	32,129,694
Due In More Than One Year	<u>80,519,938</u>
<i>Total Liabilities</i>	<u>137,139,776</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	15,015,205
Restricted for:	
Capital Projects	65,173,934
Debt Service	4,138,760
Other Purposes	1,006,517
Unrestricted	<u>(2,178,590)</u>
<i>Total Net Assets</i>	<u>\$ 83,155,826</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 18,424,881	\$ 524,718	\$ 142,237	\$ 0	\$ (17,757,926)
Special	3,085,507	63,101	865,424	0	(2,156,982)
Vocational	1,881,844	43,052	108,000	0	(1,730,792)
Adult Continuing	23,128	23,981	0	0	853
Student Intervention Services	152,738	4,200	0	0	(148,538)
Other	974,275	25,771	0	0	(948,504)
Support Services:					
Pupils	2,620,707	59,301	390,506	0	(2,170,900)
Instructional Staff	1,611,359	35,700	350,022	0	(1,225,637)
Board of Education	353,899	9,728	0	0	(344,171)
Administration	3,508,639	267,749	206,367	0	(3,034,523)
Fiscal	310,260	9,302	0	0	(300,958)
Operation and Maintenance of Plant	3,492,192	96,050	19,369	0	(3,376,773)
Pupil Transportation	1,679,714	41,425	37,906	0	(1,600,383)
Central	1,269,344	29,328	28,305	0	(1,211,711)
Operation of Non-Instructional Services	278,060	46,776	208,053	0	(23,231)
Food Service Operations	1,380,015	897,920	518,183	0	36,088
Adult Education	84	87	0	0	3
Bear Cub Academy	71,105	69,492	0	0	(1,613)
Extracurricular Activities	1,133,305	366,161	0	0	(767,144)
Interest and Fiscal Charges	4,296,811	0	0	420,045	(3,876,766)
<b>Totals</b>	<b>\$ 46,547,867</b>	<b>\$ 2,613,842</b>	<b>\$ 2,874,372</b>	<b>\$ 420,045</b>	<b>(40,639,608)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	16,460,222
Debt Service	4,350,510
Grants and Entitlements not Restricted to Specific Programs	20,053,508
Capital Grants not Restricted to Specific Programs	39,621,003
Investment Earnings	93,096
Miscellaneous	197,838
Premium on Bond Anticipation Note	461,605
<b>Total General Revenues</b>	<b>81,237,782</b>
Special Item (See Note 2N)	15,769,214
Change in Net Assets	56,367,388
Net Assets Beginning of Year (Restated, See Note 23)	26,788,438
Net Assets End of Year	<u>\$ 83,155,826</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	Building Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 8,211,271	\$ 27,422,406	\$ 80,626,226	\$ 6,503,551	\$ 122,763,454
Receivables:					
Property Tax	16,045,733	0	0	4,502,307	20,548,040
Accounts	80,245	0	0	49	80,294
Interfund	45,975	0	0	0	45,975
Accrued Interest	3,948	0	0	0	3,948
Intergovernmental	175,384	0	19,164,640	1,484,254	20,824,278
<i>Total Assets</i>	<u>\$ 24,562,556</u>	<u>\$ 27,422,406</u>	<u>\$ 99,790,866</u>	<u>\$ 12,490,161</u>	<u>\$ 164,265,989</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 142,616	\$ 0	\$ 0	\$ 23,647	\$ 166,263
Contracts Payable	0	189,692	1,222,458	0	1,412,150
Accrued Wages and Benefits	3,016,620	0	0	301,371	3,317,991
Matured Compensated Absences Payable	1,398	0	0	0	1,398
Interfund Payable	0	0	0	45,975	45,975
Intergovernmental Payable	1,012,721	0	0	133,768	1,146,489
Deferred Revenue	14,184,670	0	18,913,901	5,204,167	38,302,738
<i>Total Liabilities</i>	18,358,025	189,692	20,136,359	5,708,928	44,393,004
<b>Fund Balances</b>					
Fund Balance:					
Reserved for Encumbrances	355,381	2,102,830	9,204,983	162,113	11,825,307
Reserved for Tax Revenue Unavailable for Appropriation	1,956,609	0	0	478,399	2,435,008
Undesignated, Unreserved Reported in:					
General Fund	3,892,541	0	0	0	3,892,541
Special Revenue Funds	0	0	0	728,749	728,749
Debt Service Fund	0	0	0	3,466,181	3,466,181
Capital Projects Funds	0	25,129,884	70,449,524	1,945,791	97,525,199
<i>Total Fund Balances</i>	<u>6,204,531</u>	<u>27,232,714</u>	<u>79,654,507</u>	<u>6,781,233</u>	<u>119,872,985</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 24,562,556</u>	<u>\$ 27,422,406</u>	<u>\$ 99,790,866</u>	<u>\$ 12,490,161</u>	<u>\$ 164,265,989</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2010*

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Total Governmental Fund Balances		\$ 119,872,985
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*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		54,231,208
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 19,133,583	
Sales Tax	927,870	
Excess Costs	62,124	
TIF Revenue Sharing	33,422	
Delinquent Property Taxes	988,358	21,145,357

Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.		757,786
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		814,379
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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	(64,288,232)	
Capital Lease - COP	(15,000,000)	
Notes Payable	(29,050,000)	
Compensated Absences	(4,502,603)	
Accrued Interest Payable	(825,053)	(113,665,889)

Net Assets of Governmental Activities		\$ 83,155,826
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See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Building Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 16,262,634	\$ 0	\$ 0	\$ 4,294,224	\$ 20,556,858
Intergovernmental	18,136,570	0	19,197,183	6,291,528	43,625,281
Investment Income	93,096	8,625	271,562	2,326	375,609
Tuition and Fees	879,441	0	0	143,523	1,022,964
Extracurricular Activities	0	0	0	528,095	528,095
Rentals	26,940	0	0	0	26,940
Charges for Services	0	0	0	926,937	926,937
Gifts and Donations	15,161	0	0	44,510	59,671
Miscellaneous	33,778	0	0	148,899	182,677
<i>Total Revenues</i>	<u>35,447,620</u>	<u>8,625</u>	<u>19,468,745</u>	<u>12,380,042</u>	<u>67,305,032</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	16,692,843	0	0	1,176,091	17,868,934
Special	2,337,963	0	0	763,039	3,101,002
Vocational	1,600,463	0	0	327,050	1,927,513
Adult Continuing	0	0	0	23,128	23,128
Student Intervention	152,738	0	0	0	152,738
Other	937,835	0	0	37,143	974,978
Support Services:					
Pupils	2,178,328	0	0	382,376	2,560,704
Instructional Staff	1,253,022	0	0	331,232	1,584,254
Board of Education	353,742	0	128,893	0	482,635
Administration	3,084,735	0	0	359,836	3,444,571
Fiscal	336,378	0	0	52,115	388,493
Operation and Maintenance of Plant	3,504,544	0	0	16,981	3,521,525
Pupil Transportation	1,515,073	0	0	126,346	1,641,419
Central	1,095,727	0	0	30,488	1,126,215
Operation of Non-Instructional Services	0	0	0	276,055	276,055
Food Service Operations	0	0	0	1,373,536	1,373,536
Adult Education	0	0	0	84	84
Bear Cub Academy	0	0	0	71,105	71,105
Extracurricular Activities	677,939	0	0	326,172	1,004,111
Capital Outlay	64,857	1,974,605	4,577,190	626,283	7,242,935
Debt Service:					
Principal Retirement	0	0	0	1,715,000	1,715,000
Interest and Fiscal Charges	0	28,305	0	3,656,207	3,684,512
<i>Total Expenditures</i>	<u>35,786,187</u>	<u>2,002,910</u>	<u>4,706,083</u>	<u>11,670,267</u>	<u>54,165,447</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(338,567)	(1,994,285)	14,762,662	709,775	13,139,585
<b>Other Financing Sources (Uses):</b>					
Proceeds from Issuance of Certificate of Participation	0	15,000,000	0	0	15,000,000
Proceeds from Issuance of General Obligation Bonds	0	0	27,000,000	0	27,000,000
Bond Anticipation Notes	0	0	29,050,000	0	29,050,000
Premium on Bond Anticipation Notes	0	0	0	461,605	461,605
Premium on Build America Bonds	0	0	0	574,021	574,021
Proceeds From Sales of Capital Assets	29,110	0	0	0	29,110
Transfers In	0	9,702,567	8,841,845	458,936	19,003,348
Transfers Out	(133,875)	(8,841,845)	0	(10,027,628)	(19,003,348)
<i>Total Financing Sources and (Uses)</i>	<u>(104,765)</u>	<u>15,860,722</u>	<u>64,891,845</u>	<u>(8,533,066)</u>	<u>72,114,736</u>
Special Item (See Note 2N)	0	15,769,214	0	0	15,769,214
<i>Net Change in Fund Balance</i>	(443,332)	29,635,651	79,654,507	(7,823,291)	101,023,535
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>6,647,863</u>	<u>(2,402,937)</u>	<u>0</u>	<u>14,604,524</u>	<u>18,849,450</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 6,204,531</u>	<u>\$ 27,232,714</u>	<u>\$ 79,654,507</u>	<u>\$ 6,781,233</u>	<u>\$ 119,872,985</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds	\$	101,023,535
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 8,342,819	
Current Year Depreciation	<u>(2,114,666)</u>	6,228,153
 Net effect of transactions involving sale of capital assets are not reflected in the funds.		
		(17,413)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Excess Costs	30,763	
Sales Tax	55,934	
TIF Revenue Sharing	33,422	
Grants	19,091,241	
Delinquent Property Taxes	<u>249,143</u>	19,460,503
 Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortize in the statement of activities.		
		436,581
 Repayment of bond principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal		1,715,000
 The issuance of bonds and notes results in expenditures and other financing sources and uses in the governmental funds, but these transactions are not reflected in the statement of net assets as long-term assets and liabilities.		
Proceeds of Notes	(29,050,000)	
Certificate of Participation	(15,000,000)	
Proceeds of Bonds	(27,000,000)	
Premium on New Bonds	<u>(574,021)</u>	(71,624,021)
 Add difference between interest payable which is recorded in net assets and interest paid which is recorded in governmental funds.		
		(694,269)
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Vacation Benefits Payable	(14,371)	
Compensated Absences	507,525	
Bond Accretion	(400,900)	
Amortization of Bond Premium	88,509	
Amortization of Refunding Loss	<u>(42,220)</u>	138,543
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(299,224)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>56,367,388</u></u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 16,303,659	\$ 15,939,884	\$ 15,618,364	\$ (321,520)
Intergovernmental	18,290,782	18,299,386	18,498,932	199,546
Investment Income	83,233	83,275	91,700	8,425
Tuition and Fees	735,758	736,135	810,608	74,473
Rentals	24,094	24,106	26,545	2,439
Gifts and Donations	13,761	13,768	15,161	1,393
Miscellaneous	39,906	39,926	43,966	4,040
<i>Total Revenues</i>	<u>35,491,193</u>	<u>35,136,480</u>	<u>35,105,276</u>	<u>(31,204)</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction				
Regular	17,741,607	16,780,703	17,029,780	(249,077)
Special	2,462,673	2,330,810	2,336,974	(6,164)
Vocational	1,768,827	1,675,545	1,653,203	22,342
Student Intervention	138,159	130,655	132,997	(2,342)
Other	1,055,695	999,297	999,524	(227)
Support Services				
Pupils	2,292,231	2,168,295	2,196,493	(28,198)
Instructional Staff	1,265,932	1,198,047	1,203,109	(5,062)
Board of Education	440,389	417,606	403,783	13,823
Administration	3,412,188	3,230,528	3,219,474	11,054
Fiscal	701,708	664,109	666,362	(2,253)
Operation and Maintenance of Plant	4,240,005	4,018,833	3,919,770	99,063
Pupil Transportation	1,694,952	1,605,578	1,583,960	21,618
Central	1,388,730	1,322,061	1,181,555	140,506
Extracurricular Activities	719,760	680,698	697,121	(16,423)
Capital Outlay	80,093	76,151	69,876	6,275
<i>Total Expenditures</i>	<u>39,402,949</u>	<u>37,298,916</u>	<u>37,293,981</u>	<u>4,935</u>
Excess of Revenues Over (Under) Expenditures	(3,911,756)	(2,162,436)	(2,188,705)	(26,269)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	26,422	26,436	29,110	2,674
Refund of Prior Year Expenditures	280,588	280,732	309,133	28,401
Refund of Prior Year Receipts	(400,389)	(378,641)	(385,428)	(6,787)
Advances In	1,273	1,274	1,403	129
Advances Out	(32,177)	(30,430)	(30,975)	(545)
Transfers Out	(144,099)	(136,272)	(133,875)	2,397
<i>Total Other Financing Sources (Uses)</i>	<u>(268,382)</u>	<u>(236,901)</u>	<u>(210,632)</u>	<u>26,269</u>
<i>Net Change in Fund Balance</i>	(4,180,138)	(2,399,337)	(2,399,337)	0
<i>Fund Balance (Deficit) at Beginning of Year</i>	9,445,457	9,445,457	9,445,457	0
Prior Year Encumbrances Appropriated	666,407	666,407	666,407	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 5,931,726</u>	<u>\$ 7,712,527</u>	<u>\$ 7,712,527</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2010*

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	Governmental Activities Internal Service Fund
<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 1,086,594
<b>Liabilities:</b>	
Current Liabilities:	
Claims Payable	272,215
<i>Total Current Liabilities</i>	272,215
<b>Net Assets:</b>	
Unrestricted	814,379
<b><i>Total Net Assets</i></b>	<b>\$ 814,379</b>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2010*

	Governmental Activities - Internal Service Fund
<hr/>	
<b>Operating Revenues:</b>	
Charges for Services	\$ 3,957,161
<b>Operating Expenses:</b>	
Claims	4,256,385
<i>Change in Net Assets</i>	(299,224)
<i>Net Assets Beginning of Year</i>	1,113,603
<i>Net Assets End of Year</i>	\$ 814,379

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Service Charges	\$ 3,957,161
Cash Paid for Goods and Services	(598)
Cash Paid for Claims	(4,127,096)
	(170,533)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(170,533)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(170,533)
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,257,127
<i>Cash and Cash Equivalents at End of Year</i>	\$ 1,086,594
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (299,224)
Adjustments:	
Increase (Decrease) in Liabilities	
Accounts Payable	(598)
Claims Payable	129,289
	128,691
<i>Total Adjustments</i>	128,691
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (170,533)

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2010*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 151,629
Receivables:	
Accounts	33,750
Intergovernmental	<u>10</u>
<i>Total Assets</i>	<u>\$ 185,389</u>
<b>Liabilities</b>	
Accrued Wages	\$ 4,338
Intergovernmental Payable	4,611
Undistributed Monies	<u>176,440</u>
<i>Total Liabilities</i>	<u>\$ 185,389</u>

See accompanying notes to the basic financial statements.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

The Wadsworth City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's eight instructional/support facilities staffed by 251 non-certificated employees and 310 certificated full-time teaching personnel who provide services to 4,852 students and other community members.

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

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

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

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental activities and internal service fund provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for its internal service fund issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

***A. Basis of Presentation***

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

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

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

***B. Fund Accounting***

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

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

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

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

***Classroom Facilities Fund*** The Classroom Facilities fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund. The School District's agency funds accounts for student activities and the Four Cities Educational Compact as shown in Note 18.

***C. Measurement Focus***

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

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

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

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

***D. Basis of Accounting***

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Cash and Investments***

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

During fiscal year 2010, the School District had investments in STAROhio, (the State Treasurer's Investment Pool), a repurchase account, and other investments. See Note 6 for a full listing of the School District's investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as overnight repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

For presentation on the financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolutions, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$93,096, which includes \$48,011 from other School District funds.

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

***F. Capital Assets***

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

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

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

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

***G. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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probable that the employer will compensate the employees for the benefits through paid time off or some other means. These amounts are recorded as vacation benefits payable in the basic financial statements.

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

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

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

#### ***H. Accrued Liabilities and Long-term Obligations***

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

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

#### ***I. Net Assets***

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

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

There were no net assets restricted for enabling legislation for fiscal year ending June 30, 2010.

#### ***J. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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***K. Operating Revenues and Expenses***

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

***L. Interfund Activity***

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

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

***M. Deferred Charges and Bond Premiums***

In governmental fund types, bond premiums and issuance costs are recognized in the current period. On the statement of net assets, note premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which is not significantly different than the bonds outstanding method, or the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

***N. Special Items***

The School District reported a \$15,769,214 special item in 2010. This amount represents funding provided by the City of Wadsworth, Ohio for the construction of a Community Center. See Note 24 for more details on the project.

***O. Estimates***

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

***P. Budgetary Data***

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010.

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

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

**NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES**

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*,” and GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*.”

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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

**NOTE 4 – FUND DEFICITS**

Fund balances at June 30, 2010 included the following individual fund deficits:

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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	Deficit Fund Balance
Nonmajor Governmental Funds:	
Title VI-B	\$ 25,108
Carl Perkins Compact	35,243
State Fiscal Stabilization Fund	16,376
Title I	19,969
Title VI-R	17,183

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

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

	General
GAAP Basis	\$ (443,332)
Net Adjustment for Revenue Accruals	(33,211)
Advances In	1,403
Advances Out	(30,975)
Net Adjustment for Expenditure Accruals	(1,395,225)
Adjustment for Encumbrances	(497,997)
Budget Basis	\$ (2,399,337)

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Cash on Hand** At year end, the School District had \$7,116 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and investments.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$9,328,783 and the bank balance was \$9,838,299. Of the bank balance:

1. \$4,433,154 of the bank balance was covered by federal depository insurance; and
2. \$5,405,145 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** – Investments are reported at fair value. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Investments are reported at fair value. As of June 30, 2010, the School District had the following investments:

Rating by Moody's	Entity	Fair Value	Investment Maturities		Percentage of Total Investment
			In Months (0-6)	In Months (7-12)	
AA	Repurchase agreement	\$ 9,189,282	\$ 9,189,282	\$ 0	8.01%
AAAm**	STAROhio	2,518,814	2,518,814	0	2.20%
Aaa	Fifth Third Securities	102,957,682	0	102,957,682	89.79%
		<u>\$ 114,665,778</u>	<u>\$ 11,708,096</u>	<u>\$ 102,957,682</u>	<u>100.00%</u>

\*\* Rated by Standard and Poor's

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

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

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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The School District receives property taxes from Medina County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$1,956,609 in the General Fund and \$478,399 in the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 650,811,860	97.21%	\$ 559,072,240	96.98%
Public Utility	25,970	0.00%	26,070	0.00%
Tangible Personal Property	18,706,394	2.79%	17,411,995	3.02%
	<u>\$ 669,544,224</u>	<u>100.00%</u>	<u>\$ 576,510,305</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	\$ 49.68		\$ 49.42	

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2010, consisted of taxes, interest, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of the Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2010 county appropriations yet to be received as of June 30, 2010.

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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Intergovernmental receivables as of June 30, 2010:

Governmental Activities:	
Title I	\$ 44,817
Title II-A	20,712
Title II-D	2,461
IDEA-B	83,773
Preschool Grant	12,430
Carl Perkins	55,489
SERS Refund	2,256
Excess Costs	62,124
Sales Tax	1,264,194
TIF Revenue Sharing	111,382
Ohio School Facilities	19,164,640
	<u>\$ 20,824,278</u>
Agency Fund:	
SERS Refund	<u>\$ 10</u>

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**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Restated Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,181,437	\$ 734,715	\$ 0	\$ 1,916,152
Construction in progress	2,301,293	6,675,668	0	8,976,961
<i>Total Capital Assets, not being depreciated:</i>	<u>3,482,730</u>	<u>7,410,383</u>	<u>0</u>	<u>10,893,113</u>
 <i>Capital Assets, being depreciated:</i>				
Land improvements	2,944,212	0	(362,040)	2,582,172
Buildings and improvements	53,735,323	73,289	0	53,808,612
Furniture and equipment	10,316,564	610,596	(99,152)	10,828,008
Vehicles	2,498,544	183,228	(24,315)	2,657,457
Infrastructure	131,333	125,149	0	256,482
Textbooks	1,773,632	0	0	1,773,632
Total Capital Assets, being depreciated	<u>71,399,608</u>	<u>992,262</u>	<u>(485,507)</u>	<u>71,906,363</u>
 Less Accumulated Depreciation:				
Land improvements	(1,203,462)	(135,046)	353,643	(984,865)
Buildings and improvements	(15,547,730)	(1,105,859)	0	(16,653,589)
Furniture and equipment	(7,161,044)	(614,002)	31,310	(7,743,736)
Vehicles	(1,383,672)	(172,940)	23,315	(1,533,297)
Infrastructure	(54,632)	(26,297)	0	(80,929)
Textbooks	(1,511,330)	(60,522)	0	(1,571,852)
Total Accumulated Depreciation	<u>(26,861,870)</u>	<u>(2,114,666)</u>	<u>408,268</u>	<u>(28,568,268)</u>
 Total Capital Assets being depreciated, net	 <u>44,537,738</u>	 <u>(1,122,404)</u>	 <u>(77,239)</u>	 <u>43,338,095</u>
 <i>Governmental Activities Capital Assets, Net</i>				
	<u>\$ 48,020,468</u>	<u>\$ 6,287,979</u>	<u>\$ (77,239)</u>	<u>\$ 54,231,208</u>

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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Depreciation expense was charged to governmental functions as follows:

<b>Governmental Functions:</b>	
Instruction:	
Regular	\$ 1,271,999
Special	3,984
Vocational	27,602
Support Services:	
Pupil	74,013
Instructional Staff	6,228
Board	157
Administration	31,257
Fiscal	1,008
Operation and Maintenance of Plant	63,683
Central	297,895
Pupil Transportaion	172,839
Operation of Non-Instructional Services	10,790
Food Services	24,764
Extracurricular Activities	128,447
	<hr/>
Total Depreciation	<u>\$ 2,114,666</u>

**NOTE 10 – RISK MANAGEMENT**

***A. Liability Insurance***

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

***B. Fidelity Bonds***

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

***C. Workers’ Compensation***

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
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***D. Employee Health Insurance***

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

The claims liability of \$272,215 reported in the fund at June 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the School District’s third party administrator. A summary of the fund’s claims liability in fiscal years 2009 and 2010 is as follows:

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2009	\$ 202,559	\$ 3,738,891	\$ (3,798,524)	\$ 142,926
2010	\$ 142,926	\$ 4,256,385	\$ (4,127,096)	\$ 272,215

**NOTE 11 – OTHER EMPLOYEE BENEFITS**

***Compensated Absences***

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

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School’s contributions to SERS for pension obligations for the years ended June 30, 2010, 2009 and 2008 were \$785,422, \$522,587 and \$549,898, respectively; 50 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$430,200 represents the unpaid contribution for fiscal year 2010, and is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

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

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only

**Wadsworth City School District**  
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to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$2,612,450, \$2,460,506 and \$2,425,019, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$140,822 made by the School District and \$100,587 made by the plan members.

### ***C. Social Security System***

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

### **Post Employment Benefits**

#### ***A. School Employee Retirement System***

Plan Description — The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School's contributions for the years ended June 30, 2010, 2009 and 2008 were \$28,270, \$316,729 and \$326,197, respectively; 50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76 percent. The School's contributions for the years ended June 30, 2010, 2009 and 2008 were \$46,707, \$43,118, and \$39,621, respectively; 50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***B. State Teachers Retirement System***

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

Funding Policy – Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$199,861, \$189,270 and \$186,540, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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**Wadsworth City School District**  
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**NOTE 13 – LONG TERM DEBT**

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

	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<i>Series BQ Bonds-2009</i>					
Serial Bonds - 2.00-5.00%, 6/09-12/37	\$ 9,490,000	\$ 0	\$ 0	\$ 9,490,000	\$ 25,000
Capital Appreciation bonds					
25.929%, 12/16 - 12/18	109,995	0	0	109,995	0
Accretion on Capital Appreciation bonds	0	27,638	0	27,638	0
Premium	376,069	0	12,968	363,101	0
<i>School Improvement Bonds-2007</i>					
Serial Bonds - 4%, 6/06-12/22	8,250,000	0	100,000	8,150,000	100,000
Capital Appreciation bonds					
10.439%, 12/15 - 12/16	659,993	0	0	659,993	0
Accretion on Capital Appreciation bonds	175,631	88,989	0	264,620	0
Premium	469,211	0	33,515	435,696	0
Refunding Loss	(310,651)	0	(22,190)	(288,461)	0
<i>School Improvement Bonds-2006</i>					
Serial Bonds - 4-4.2%, 6/06-12/22	8,450,000	0	105,000	8,345,000	110,000
Capital Appreciation bonds					
12.1-12.2%, 12/14 - 12/15	614,990	0	0	614,990	0
Accretion on Capital Appreciation bonds	261,914	110,087	0	372,001	0
Premium	444,854	0	31,776	413,078	0
Refunding Loss	(280,409)	0	(20,030)	(260,379)	0
<i>School Improvement Bonds-1998</i>					
3.75-5.125%, 4/98 - 12/22	1,745,000	0	555,000	1,190,000	580,000
<i>School Improvement Bonds-1999</i>					
3.30-5.00%, 4/99 - 12/22	1,095,000	0	500,000	595,000	0
Capital Appreciation bonds					
5%, 12/10 - 12/12	694,997	0	0	694,997	238,102
Accretion on Capital Appreciation bonds	709,878	101,079	0	810,957	283,219
<i>School Improvement Bonds-2000</i>					
4.25-5.75%, 4/00 - 12/22	100,000	0	100,000	0	0
Capital Appreciation bonds					
5.15%, 12/10 - 12/12	94,999	0	0	94,999	33,814
Accretion on Capital Appreciation bonds	149,716	26,609	0	176,325	65,756
<i>Library Improvement Bonds-2001 (See Note 15)</i>					
3.00-5.15%, 12/01 - 12/22	3,545,006	0	255,000	3,290,006	265,000
Capital Appreciation bonds					
7.296%, 12/12 - 12/14	354,994	0	0	354,994	0
Accretion on Capital Appreciation bonds	273,413	46,498	0	319,911	0
<i>Energy Conversation Imp Bonds</i>					
2001, 5.25%, 12/01 - 12/14	600,000	0	100,000	500,000	100,000
<i>Taxable Build America Bonds- 2009</i>					
2009, 1.75-7.00%, 09/09 - 06/30	0	27,000,000	0	27,000,000	475,000
Premium	0	574,021	10,250	563,771	0
Total General Obligation Bonds	<u>38,074,600</u>	<u>27,974,921</u>	<u>1,761,289</u>	<u>64,288,232</u>	<u>2,275,891</u>
Bond Anticipation Note, 2.25%	0	29,050,000	0	29,050,000	29,050,000
Capital Lease - Certificate of Participation	0	15,000,000	0	15,000,000	710,000
Compensated Absences	4,818,925	0	507,525	4,311,400	93,803
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 42,893,525</u>	<u>\$ 72,024,921</u>	<u>\$ 2,268,814</u>	<u>\$ 112,649,632</u>	<u>\$ 32,129,694</u>

**Wadsworth City School District**  
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***2009 Series BQ Bonds***

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

The general obligation bonds were issued with a premium of \$389,037, which was reported as an increase to bonds payable in fiscal year 2009. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2010 was \$12,968. The issuance costs of \$286,465 were expensed as interest in fiscal year 2009.

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

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

***2007 School Improvement Refunding General Obligation Bonds***

On February 6, 2007, the School District issued \$9,169,993 refunded general obligation bonds. The proceeds of the bonds were used to refund \$9,170,000 of the School District's outstanding 1998 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. At the date of the refunding, \$9,525,029 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2010, \$8,810,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$536,241, which was reported as an increase to bonds payable in fiscal year 2007. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, the amortization for June 30, 2010 was \$33,515. The issuance costs of \$180,714 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method; the amortization for June 30, 2010 was \$11,295. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$355,029. This difference reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2010 was \$22,190. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$594,174. The issuance resulted in an economic gain of \$444,217. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

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

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

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*Notes to the Basic Financial Statements*  
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***2006 School Improvement Refunding General Obligation Bonds***

On June 1, 2006, the School District issued \$9,309,990 refunded general obligation bonds. The proceeds of the bonds were used to refund \$7,960,000 of the School District's outstanding 1998 and 1999 School Improvement bonds, and \$1,350,000 of the outstanding 2000 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. At the date of the refunding, \$9,650,496 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2010, \$9,245,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$540,179, which is reported as an increase to bonds payable. The amounts are being amortized as interest expenses over the life of the bonds using the straight-line method. The amortization for June 30, 2010 was \$31,776. The issuance costs of \$198,028 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization for June 30, 2010 was \$11,649. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$340,496. This difference reported in the accompanying financial statements as a difference to bonds payable; is being amortized as interest expense over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2010 was \$20,030. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$418,484. The issuance resulted in an economic gain of \$306,718. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

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

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

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

***Build America Bonds***

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

***Bond Anticipation Note***

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

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**GENERAL OBLIGATION/CAPITAL APPRECIATION BONDS**

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Accretion/ Interest
	2011	\$ 1,655,000	\$ 3,927,101	\$ 271,916	\$ 373,084	\$ 1,926,916
2012	1,935,000	3,860,897	389,863	560,137	2,324,863	4,421,034
2013	1,715,000	3,359,252	372,615	592,385	2,087,615	3,951,637
2014	2,470,000	3,212,154	110,594	179,405	2,580,594	3,391,559
2015	1,700,000	2,732,309	322,822	562,177	2,022,822	3,294,486
2016-2020	11,815,000	11,107,785	1,062,158	3,527,079	12,877,158	14,634,864
2021-2025	13,215,000	8,964,801	0	0	13,215,000	8,964,801
2026-2030	7,105,000	6,674,873	0	0	7,105,000	6,674,873
2031-2035	9,610,000	4,082,543	0	0	9,610,000	4,082,543
2036-2038	7,340,006	783,525	0	0	7,340,006	783,525
<b>Total</b>	<b>\$ 58,560,006</b>	<b>\$ 48,705,240</b>	<b>\$ 2,529,968</b>	<b>\$ 5,794,267</b>	<b>\$ 61,089,974</b>	<b>\$ 54,499,507</b>

**NOTE 14 – BOND ANTICIPATION NOTE PAYABLE**

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

	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010
<b>Governmental Activities:</b>				
Bond Anticipation Note	\$ 9,600,000	\$ 0	\$ 9,600,000	\$ 0
Interest Rate 2.125%				
Due 07/01/2009				
<b>Total Bond Anticipation Note Payable</b>	<b>\$ 9,600,000</b>	<b>\$ 0</b>	<b>\$ 9,600,000</b>	<b>\$ 0</b>

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

**NOTE 15 – THIRD PARTY OBLIGATIONS**

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

At June 30, 2010, Library Improvement Bonds outstanding totaled \$3,290,006.

**Wadsworth City School District**  
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**NOTE 16 – CAPITALIZED LEASE**

During fiscal year 2010, the School District entered into a lease-purchase agreement for the construction, furnishing and equipping two new elementary school buildings. The School District is leasing the project site from Ohio School Building Leasing Corporation. Ohio School Building Leasing Corporation assigned Huntington National Bank as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is renovating the facilities from the proceeds provided by the lessor. As part of the agreement, Huntington National Bank deposited \$15,000,000, with a fiscal agent for the renovation project. Huntington National Bank has sold Certificates of Participation in the building lease. The School District will make annual lease payments to Huntington National Bank. The interest rate is 2.10%. The lease is renewable annually and expires in 2026. The intention of the School District is to renew the lease annually.

As of June 30, 2010, \$404,266 of capital assets acquired by lease has been capitalized as construction in progress. Principal payment will begin in fiscal year 2011. Payments will be made on the lease from the building fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30,	Long-Term Obligations
2011	\$ 1,017,545
2012	1,042,215
2013	1,051,203
2014	1,123,982
2015	1,120,660
2016 - 2020	5,614,550
2021 - 2025	5,604,590
2026	1,121,655
Total	17,696,400
Less: Amount Representing Interest	(2,696,400)
Present Value of Minimum Lease Payments	\$ 15,000,000

**NOTE 17 – INTERFUND TRANSACTIONS**

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2010 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 45,975	\$ 0
Other Governmental Funds	0	45,975
Total	\$ 45,975	\$ 45,975

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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system, or (3) payments between funds are made. As of June 30, 2010, all interfund payables outstanding are anticipated to be repaid in fiscal year 2011.

The following is a summarized breakdown of the School District's transfers for fiscal year 2010:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 133,875
Building Fund	9,702,567	8,841,845
Classroom Facilities Fund	8,841,845	0
Other Governmental Funds	458,936	10,027,628
	\$ 19,003,348	\$ 19,003,348

During the year, the School District transferred \$128,875 to the Debt Service Fund to pay the HB264 loan. The General Fund also transferred \$5,000 to the Uniform Supplies Fund to help support operating costs. The Debt Service Fund transferred \$9,702,567 to the Building Fund to pay for debt service expenditures related to Bond Anticipation Notes that receipted the proceeds in the prior year. The Sales Tax Permanent Improvement Capital Projects Fund (See Note 8) transferred \$325,061 to the Classroom Facilities Maintenance Special Revenue Fund. Receipts of the Sales Tax fund have been approved to support the Classroom Facilities Maintenance Fund, which is part of the Ohio Schools Facilities Commission ("OSFC") Agreement. The Building Fund transferred a portion of the Certificate of Participation proceeds (\$8,841,845) to the Classroom Facilities Capital Project Fund as part of the local share of the project.

**NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS**

***Midland Council of Governments***

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

Representation on the Midland Council of Governments consists of one member appointed by each member board of education. The representative shall be the superintendent, assistant superintendent or treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who is elected for two year terms except the position of fiscal agent superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two superintendents, two treasurers, two members-at-large and the fiscal agent superintendent. During the year ended June 30, 2010, the School District paid approximately \$347,302 to Midland Council of Governments for basic service charges.

***Four Cities Educational Compact***

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 19 – RELATED ORGANIZATIONS**

The Ella M. Everhard Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the tax authority for the Library. Once the Library determines to present a levy to the voters, including the determination to the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2009. In 2000 the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$5,599,995. The electors of the School District approved the levy. See Note 15 for additional disclosures regarding the bond issue.

**NOTE 20 - CONTINGENCIES**

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Litigation

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

**NOTE 21 – CONSTRUCTION COMMITMENTS**

The following construction commitments at June 30, 2010 will be financed with capital project funds revenue:

<u>Project</u>	<u>Total Authorized Cost</u>	<u>Expended to June 30, 2010</u>	<u>Balance at June 30, 2010</u>
OSFC Project	\$ 20,320,046	\$ 9,473,934	\$ 10,846,112

The School District has received OSFC funding for the construction of three new elementary schools and a high school/community center project. The ground was broke for the high school during 2010; while the three elementary schools are in the planning/design stage.

**NOTE 22 – SET ASIDES**

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

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Carryover Balance as of June 30, 2009	\$ 0	\$ (3,475,408)	\$ (3,475,408)
Current Year Set-Aside Requirement	790,488	790,488	1,580,976
Qualifying Disbursements	(790,488)	(796,469)	(1,586,957)
<b>Total</b>	<b>\$ 0</b>	<b>\$ (3,481,389)</b>	<b>\$ (3,481,389)</b>
Balance Carried Forward FY 2011	<u>\$ 0</u>	<u>\$ (3,481,389)</u>	<u>\$ (3,481,389)</u>
Amount to Restrict for Set-Asides			<u>\$ 0</u>
Amount to Set-Aside			<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Qualifying offsets for the capital improvement reserve represents Ohio School Facilities Improvement bonds issued in 2009. These proceeds are eligible to be carried forward over the life of the bonds.

**NOTE 23 – RESTATEMENT OF NET ASSETS**

During 2010, the School District reviewed capital asset inventory recording during the year which required beginning balances to be restated. The beginning net asset balance of \$34,559,095 at June 30, 2010, was restated by \$7,770,657 to \$26,788,438.

**NOTE 24 – COMMUNITY CENTER USE, MANAGEMENT AND LEASE AGREEMENT**

During fiscal year 2010, Wadsworth City School District entered into a Use, Management and Lease agreement with the City of Wadsworth (the “City”) and the Wadsworth Public Library (the “Library”) for the construction and operation of recreational facilities (outdoor pool) and a community center (which includes field house, recreation center, common areas and a health facility). The board has determined that the School District’s new high school will be enhanced by the construction of the above mentioned facilities. The School District and the City desire to coordinate efforts for the project to maximize the benefit to the community.

The School District is responsible for planning, constructing, furnishing and equipping the field-house and the exterior common areas. The plans are to be coordinated with the City to achieve a cohesive building and meet Ohio School Design Manual requirements in association with the Ohio Schools Facility Commission. The School District and the City have entered into a Construction Agency Agreement that will govern the construction of the community center that provides construction responsibility resides with the School District as the construction agent for the City. The City is responsible for planning, designing, constructing, furnishing and equipping the outdoor pool and related structures.

Funding for the construction of the community center is being provided by proceeds from securities issued by the City in the amount of \$15,769,214 and donations obtained by the parties. Per the agreement, these proceeds were deposited with the School District prior to February 1, 2010. Funding for the outdoor pool is

**Wadsworth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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intended to be provided by capital campaign, jointly coordinated by the City and the School District, as well as any excess funding available from securities issued for construction of the community center. The School District's financial responsibility will be capped at the proceed amount deposited with the School District from the City security issue.

The School District will own the High School, Community Center and land parcels underlying the aforementioned buildings. The City will own the outdoor pool, as a result of a real estate exchange agreement between the School District and the City to transfer property associated with the outdoor pool in from the School District to the City in exchange for the current Steiner Youth Center site. The initial term of the agreement is for 50 years commencing at the occupancy date established by the fire marshal. The agreement shall be automatically renewed for an indefinite number of additional five year terms commencing July 1, and ending June 30 for the five year period, unless the School District or the City provide written notice to the other and to the Library of its intent to terminate. At the date of termination, sole possession of the community center shall be returned to the School District, and the City shall vacate the community center.

The City shall pay the School District annual base rent of \$1.00 per year, for the life of the 50 year agreement. The City shall pay supplemental rent per the agreement in the amount equal to the sum of taxes or assessments allocable to the community center and operating costs of outdoor facilities set at \$0.50 per square foot times the number of square footage as determined by OSFC. Operation and maintenance costs as determined by the operations committee for common areas will be allocated among the School District, the City, the Library and tenants.

The City will have the right to occupy and use the community center and the Library will have the right to occupy and use a portion of the community center as determined by the agreement and in coordination with the scheduling committee. The City will sublease a portion of the community center and outdoor pool to the Young Men's Christian Association (the "YMCA") to provide recreation and community services to the high school campus and community and the health facility to Wadsworth-Rittman Area Hospital Association (the "Hospital") to manage and operate the health facility and provide health programs/services to the community in coordinating efforts with the contracting parties. The agreement further outlines scheduling, uses and restrictions for all parties, including responsibilities of the City, Hospital, and YMCA in operations of the facility in regards to management, employees, maintenance and custodial services, utilities and insurance requirements.

**NOTE 25 – SUBSEQUENT EVENTS**

In July 2010, an Agreement went into effect whereas the School District and four other school districts established a regional council of governments known as the Summit Regional Health Care Consortium ("SRHCC") for the purpose of promoting cooperative agreements and activities among its members in the purchasing supplies and dealing with problems of mutual concern. The members have determined to undertake a program ("Health Benefits Program") on a cooperative basis for the provision of certain medical, hospitalization, dental, prescription drug, vision, life, and disability income benefits for their employees and the eligible dependents of those employees. As part of this agreement, each member is required to share in the program costs by making monthly premium payments to cover the program costs. Also, each member is required to maintain a Reserve Amount with the Fiscal Agent of the SRHCC, as determined by the SRHCC's legislative body. In July 2010, the School District made this reserve payment to the Fiscal Agent in the amount of \$979,523.

In September, 2010, the School District issued \$3,675,000 in School Improvement Bonds which mature in fiscal year 2020 and \$25,375,000 in Build America Bonds that mature in fiscal year 2037.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

January 31, 2011

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wadsworth City School District (the School District) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weaknesses* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness as finding 2010-01.

Wadsworth City School District  
Independent Auditor's Report on Internal Control Over  
Financial Reporting on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
January 31, 2011  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated January 31, 2011.

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

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

*Hea & Associates, Inc.*



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

January 31, 2011

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

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

#### **Compliance**

We have audited the compliance of the Wadsworth City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal program for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Hea & Associates, Inc.*

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education</b>				
<b>(Passed through the Ohio Department of Education):</b>				
<i>Title I Cluster</i>				
Title I	84.010	2009	\$ 5,182	\$ 12,248
Title I	84.010	2010	271,494	259,372
ARRA-Title I	84.389	2010	84,854	72,745
Total Title I Cluster			<u>361,530</u>	<u>344,365</u>
<i>Special Education Cluster</i>				
IDEA Part B	84.027	2009	0	23,286
IDEA Part B	84.027	2010	719,812	679,289
ARRA- IDEA	84.391	2010	498,260	429,565
Total IDEA Part B			<u>1,218,072</u>	<u>1,132,140</u>
Early Childhood Special Education	84.173	2009	14,255	14,255
ARRA- Early Childhood Special Education	84.392	2010	3,644	430
Total Early Childhood Special Education			<u>17,899</u>	<u>14,685</u>
<i>Total Special Education Cluster</i>			<u>1,235,971</u>	<u>1,146,825</u>
Title IV-A: Safe and Drug-Free Schools	84.186	2010	9,762	10,678
Carl Perkins Vocational Education	84.048	2009	11,564	25,425
Carl Perkins Vocational Education	84.048	2010	151,808	149,355
Total Carl Perkins Vocational Education			<u>163,372</u>	<u>174,780</u>
Title II-D: Technology	84.318	2009	1,403	0
Title II-D: Technology	84.318	2010	268	0
Total Title II-D: Technology			<u>1,671</u>	<u>0</u>
Title V: Innovative Education	84.298	2009	1,871	2,537
Title II-A: Improving Teacher Quality	84.367	2009	12,913	17,586
Title II-A: Improving Teacher Quality	84.367	2010	124,485	120,400
Total Title II-A: Improving Teacher Quality			<u>137,398</u>	<u>137,986</u>
ARRA-State Fiscal Stabilization Fund	84.394	2010	963,281	859,419
Total U.S. Department of Education			<u>2,874,856</u>	<u>2,676,590</u>
<b>U. S. Department of Agriculture</b>				
<b>(Passed through the Ohio Department of Education):</b>				
<i>Child Nutrition Cluster</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2010	64,209	64,209
Cash Assistance:				
School Breakfast Program	10.553	2010	62,678	62,678
Total School Breakfast Program			<u>62,678</u>	<u>62,678</u>
National School Lunch Program	10.555	2010	377,731	377,731
Total National School Lunch Program			<u>377,731</u>	<u>377,731</u>
<i>Cash Assistance Subtotal</i>			<u>440,409</u>	<u>440,409</u>
<i>Total Child Nutrition Cluster</i>			<u>504,618</u>	<u>504,618</u>
Total U.S. Department of Agriculture			<u>504,618</u>	<u>504,618</u>
Total Federal Assistance			<u>\$ 3,379,474</u>	<u>\$ 3,181,208</u>

See accompanying notes to the schedule of expenditures of federal awards

WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: CHILD NUTRITION CLUSTER

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

Food Distribution Program nonmonetary assistance is part of the Nutrition Cluster. It is reported in the schedule of expenditures of federal awards at the value of the commodities received as assessed by the U.S. Department of Agriculture. At June 30, 2010, the School District had no significant food commodities inventory.

Note 3: TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, ODE authorized the following transfers:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.186	Safe and Drug Free Schools	2009	\$ 949	
84.186	Safe and Drug Free Schools	2010		\$ 949

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster Title I Cluster State Fiscal Stabilization Fund	CFDA# 84.027; 84.173; 84.391; 84,392 84.010; 84.389 84.394
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010 (continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**MATERIAL WEAKNESS**

<b>FINDING NUMBER</b>	<b>2010-001</b>
-----------------------	-----------------

**Criteria:**

In 2010, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which supersedes SAS No. 112. This standard became effective for audits of financial statements for periods ending on or after December 15, 2009.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 115 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

The compilation and presentation of materially correct financial statements and the related footnotes is the ultimate responsibility of management of the District. The School District contracts with a specialized accounting firm to convert the School Districts cash basis records to generally accepted accounting principles (GAAP). This firm develops GAAP entries using the information provided by the School District. Independent auditors are not part of the District's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Increased monitoring and communication of financial information would help mitigate the risk of future misstatements due to error.

**Condition Found:**

As a result of our audit, we identified adjustments needed to the entries developed by the specialized accounting firm that were not detected by management, which resulted in material misstatements in the School Districts financial statements, as well as other misstatements that were not necessarily material, but were more than inconsequential. Material amounts noted above have been subsequently reported in the audited financial statements.

**Effect:**

The School District had GAAP audit adjustments to the original GAAP financial statements that were presented for audit. These GAAP adjustments were related to construction in progress, contracts payable, and program/general revenues. There were no audit adjustments needed to the cash records of the School District.

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**MATERIAL WEAKNESS (Continued)**

<b>FINDING NUMBER</b>	<b>2010-01 (Continued)</b>
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**Recommendations:**

The School District is relying on a specialized accounting firm to compile the financial statements. We recommend the School District consider modifying the existing control procedures over the financial reporting process to include an independent review of the financial statements and the related journal entries. We also recommend increasing the communication between the School District and the firm to ensure all information needed is properly requested and provided. The review should be conducted by School District personnel that are knowledgeable of generally accepted accounting principles. Additionally, the Treasurer and the specialized accounting firm should review the adjustments reclassifications identified during the current audit and ensure that similar errors are not reported on financial statements in subsequent years.

**Corrective Action:**

The District recognizes the material weakness at the financial statement level of the FY 2010 audit. In the audit, at the financial statement level, material audit adjustments were made primarily related to the GAAP conversion process. This resulted in a finding included as part of the audit report.

The Wadsworth City School District will implement the following controls related to the GAAP conversion and review of the accrual basis financial statements:

- The District will hold a meeting, once the financial statements are completed; with the professional accounting firm carrying out the GAAP conversion to assure that the accrual basis financial statements appear reasonable.
- The District will independently review the accrual basis financial statements and report.
- The District will assure information and subsequent events that may impact the financial statements are communicated to the professional accounting firm completing the conversion.

Both the District and the GAAP conversion team recognize the complexity of the fiscal year 2010 financial statements of the Wadsworth City School District based on the multiple debt issues, ARRA federal grants, and the OSFC project. The District and GAAP conversion team worked together and the District provided the team with the requested information. Subsequent events of the District after the information was provided to the GAAP team resulted in additional audit adjustments. The District and GAAP conversion team take responsibility for these adjustments.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None noted.

**WADSWORTH CITY SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</u></b>
2009-01	Lack of controls over capital assets resulted in incomplete asset reporting	Yes	Fully Corrected

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# Dave Yost • Auditor of State

WADSWORTH CITY SCHOOL DISTRICT

MEDINA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 31, 2011