



Dave Yost • Auditor of State

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wadsworth City School District
Medina County
524 Broad Street
Wadsworth, Ohio 44281

To the Board of Education:

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, Medina County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Wadsworth City School District, Medina County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Federal Awards Receipts and Expenditures Schedule

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule provides additional information required by the 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. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

December 10, 2012

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management's discussion and analysis of the Wadsworth City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$5,499,704 which represents a 6.54% decrease from 2011.
- General revenues accounted for \$42,685,255 in revenue or 85.26% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,381,898 or 14.74% of total revenues of \$50,067,153.
- The District is undergoing an Ohio School Facilities Commission (OSFC) project, and as part of the project the District disposed of two elementary buildings and one high school building along with majority of the contents. The loss on this disposal has been reported in the statement of activities as a special item.
- The District's major funds are the general fund, the debt service fund, the building fund, and the classroom facilities fund. The general fund had \$37,564,733 in revenues and other financing sources and \$36,104,076 in expenditures. During fiscal year 2012, the general fund's fund balance increased \$1,460,657 from a balance of \$4,544,461 to a balance of \$6,005,118.
- The debt service fund had \$7,419,437 in revenues and \$7,872,083 in expenditures. During fiscal year 2012, the debt service fund's fund balance decreased \$452,646 from a balance of \$5,037,317 to a balance of \$4,584,671.
- The building fund had \$5,033 in revenues and other financing sources and \$12,986,572 in expenditures. During fiscal year 2012, the building fund's fund balance decreased \$12,981,539 from a balance of \$19,282,658 to a balance of \$6,301,119.
- The classroom facilities fund had \$2,113,010 in revenues and other financing sources and \$52,123,318 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$50,010,308 from a balance of \$76,308,612 to a balance of \$26,298,304.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the debt service fund, the building fund, and the classroom facilities fund are the only major funds.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all (non-fiduciary) assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 16-17 of this report.

Reporting the District's Most Significant Fund

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major funds are the general fund, debt service fund, building fund and classroom facilities fund.

Governmental Funds

Most of the 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 financial statements provide a detailed short-term view of the 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 basic financial statements. The basic governmental fund financial statements can be found on pages 18-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for student activities and the Four Cities Educational Compact. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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Notes to the Basic 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. These notes to the basic financial statements can be found on pages 27-65 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2012 compared to fiscal year 2011.

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 81,267,885	\$ 142,435,802
Capital assets, net	<u>136,370,715</u>	<u>81,450,783</u>
Total assets	<u>217,638,600</u>	<u>223,886,585</u>
<u>Liabilities</u>		
Current liabilities	30,626,966	27,490,010
Long-term liabilities	<u>108,426,725</u>	<u>112,311,962</u>
Total liabilities	<u>139,053,691</u>	<u>139,801,972</u>
<u>Net Assets</u>		
Invested in capital assets, net of debt	38,699,873	15,880,743
Restricted	42,316,009	71,042,226
Unrestricted (deficit)	<u>(2,430,973)</u>	<u>(2,838,356)</u>
Total net assets	<u>\$ 78,584,909</u>	<u>\$ 84,084,613</u>

Net assets decreased \$5,499,704 or 6.54% during fiscal year 2012.

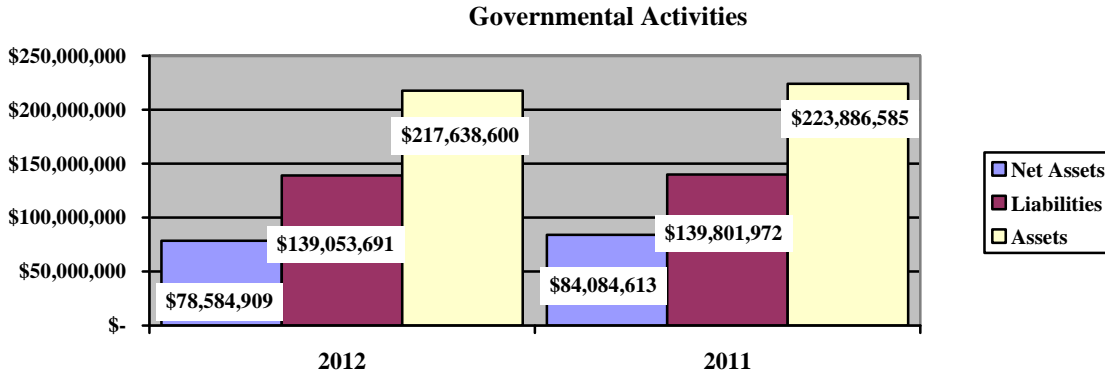
At year end, capital assets represented 62.66% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$38,699,873. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$42,316,009, represents resources that are subject to external restriction on how they may be used.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011. The 2011 balance of operating grants and contributions and general revenues have been restated to conform to 2012 presentation.

Change in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,865,187	\$ 2,443,868
Operating grants and contributions	3,423,483	6,335,264
Capital grants and contributions	1,093,228	937,433
General revenues:		
Property taxes	22,721,618	20,123,203
Revenue in lieu of taxes	156,176	50,167
Grants and entitlements	20,276,951	20,252,060
Investment earnings	100,019	128,915
Decrease in FMV of investments	(702,420)	(405,936)
Other	132,911	160,023
Total revenues	<u>50,067,153</u>	<u>50,024,997</u>

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**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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	Governmental Activities	
	2012	2011
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 18,775,004	\$ 19,840,570
Special	2,900,373	3,253,387
Vocational	1,649,470	1,824,473
Adult/continuing	36,591	24,942
Other	1,328,205	1,288,333
Support services:		
Pupil	2,906,682	2,992,876
Instructional staff	1,101,405	1,358,730
Board of education	299,170	313,262
Administration	3,446,132	3,612,235
Fiscal	880,318	736,680
Operations and maintenance	3,824,414	3,608,198
Pupil transportation	1,751,853	1,531,293
Central	893,381	969,802
Operation of non-instructional services:		
Other non-instructional services	339,007	377,219
Food service operations	1,364,494	1,223,560
Extracurricular activities	1,045,916	1,123,548
Interest and fiscal charges	5,056,848	5,017,102
 Total expenses	 47,599,263	 49,096,210
 Special item	 (7,967,594)	 -
 Changes in net assets	 (5,499,704)	 928,787
Net assets at beginning of year	84,084,613	83,155,826
Net assets at end of year	\$ 78,584,909	\$ 84,084,613

Governmental Activities

Net assets of the District's governmental activities decreased \$5,499,704. Total governmental expenses of \$47,599,263 were offset by program revenues of \$7,381,898 and general revenues of \$42,685,255. Program revenues supported 15.51% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, grants and entitlements not restricted to specific programs and capital grants not restricted to specific purposes. These revenue sources represent 85.82% of total governmental revenue.

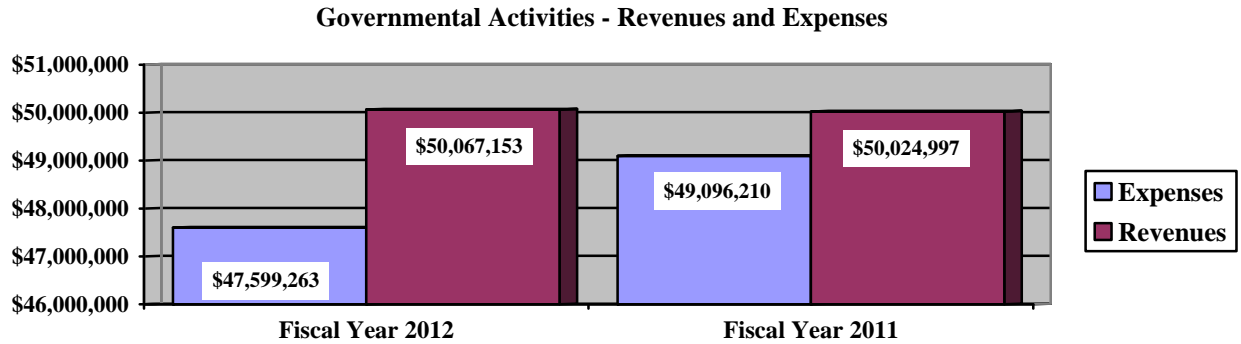
Total revenues increased \$42,156 during the current fiscal year. The majority of the increase is due to a \$2,598,415 increase in property tax revenue. Revenues related to operating grants and contributions decreased \$2,911,781 due to a decrease in the revenues received related to the IDEA, Part B and Stimulus Title II D grants.

Total expenses decreased \$1,496,947 primarily due to District wide reductions in salaries and instructional supplies.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

Governmental Activities

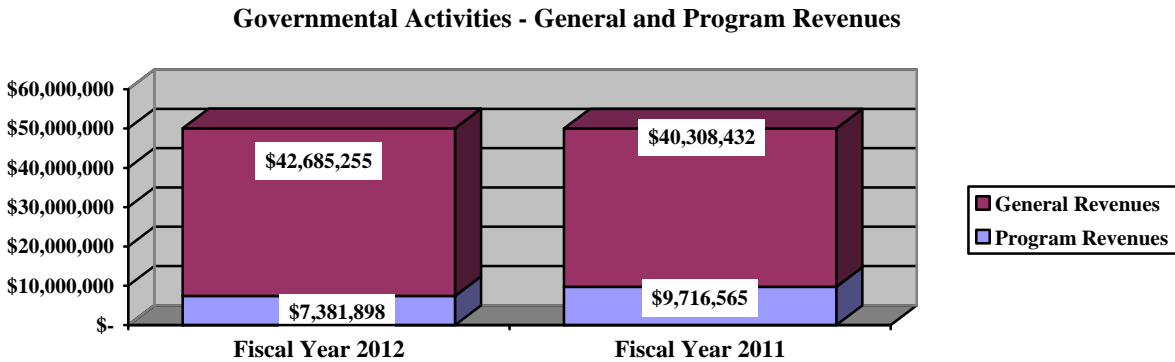
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses:				
Instruction:				
Regular	\$ 18,775,004	\$ 18,000,158	\$ 19,840,570	\$ 16,683,097
Special	2,900,373	1,015,801	3,253,387	1,220,637
Vocational	1,649,470	1,095,226	1,824,473	1,235,459
Adult/continuing	36,591	9,937	24,942	1,732
Other	1,328,205	1,328,205	1,288,333	1,256,862
Support services:				
Pupil	2,906,682	2,666,993	2,992,876	2,742,117
Instructional staff	1,101,405	974,427	1,358,730	1,144,535
Board of Education	299,170	299,170	313,262	313,262
Administration	3,446,132	3,147,197	3,612,235	3,268,253
Fiscal	880,318	880,318	736,680	736,680
Operations and maintenance	3,824,414	3,780,301	3,608,198	3,565,336
Pupil transportation	1,751,853	1,696,938	1,531,293	1,473,844
Central	893,381	874,823	969,802	943,264
Operation of non-instructional services:				
Other non-instructional services	339,007	(24,244)	377,219	129,509
Food service operations	1,364,494	(50,219)	1,223,560	(222,865)
Extracurricular activities	1,045,916	558,714	1,123,548	808,254
Interest and fiscal charges	5,056,848	3,963,620	5,017,102	4,079,669
Total expenses	\$ 47,599,263	\$ 40,217,365	\$ 49,096,210	\$ 39,379,645

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The dependence upon tax and other general revenues for governmental activities is apparent; 86.88% of instruction activities in fiscal year 2012 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.49%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$47,286,763 which is lower than last year's balance of \$108,762,959. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
General	\$ 6,005,118	\$ 4,544,461	\$ 1,460,657
Debt Service	4,584,671	5,037,317	(452,646)
Building	6,301,119	19,282,658	(12,981,539)
Classroom facilities	26,298,304	76,308,612	(50,010,308)
Other governmental	<u>4,097,551</u>	<u>3,589,911</u>	<u>507,640</u>
Total	<u>\$ 47,286,763</u>	<u>\$108,762,959</u>	<u>\$ (61,476,196)</u>

General Fund

The District's general fund balance increased \$1,460,657. During the year general fund revenues increased while expenditures decreased. Tax revenues increased \$2,194,574 during fiscal year 2012 due to the passing of the operating levy in November 2011. Instruction and support services decreased during the year mostly due to personnel cuts.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 17,464,089	\$ 15,269,515	14.37 %
Earnings on investments	88,161	113,949	(22.63) %
Intergovernmental	18,358,086	18,277,606	0.44 %
Other revenues	<u>1,583,310</u>	<u>1,210,344</u>	30.81 %
Total	<u>\$ 37,493,646</u>	<u>\$ 34,871,414</u>	7.52 %
<u>Expenditures</u>			
Instruction	\$ 21,874,295	\$ 22,542,771	(2.97) %
Support services	13,579,607	14,176,642	(4.21) %
Extracurricular activities	631,990	715,631	(11.69) %
Facilities acquisition and construction	<u>18,184</u>	<u>26,581</u>	(31.59) %
Total	<u>\$ 36,104,076</u>	<u>\$ 37,461,625</u>	(3.62) %

Debt Service Fund

The debt service fund had \$7,419,437 in revenues and \$7,872,083 in expenditures. During fiscal year 2012, the debt service fund's fund balance decreased \$452,646 from a balance of \$5,037,317 to a balance of \$4,584,671. The decrease is primarily due to the receipt of \$2,224,463 of bond premiums in fiscal year 2011 where as in fiscal year 2012 the District did not issue any bonds.

Building Fund

The building fund had \$5,033 in revenues and other financing sources and \$12,986,572 in expenditures. During fiscal year 2012, the building fund's fund balance decreased \$12,981,539 from a balance of \$19,282,658 to a balance of \$6,301,119 as the District expended approximately \$12.9 million from this fund on construction projects to various District buildings.

Classroom Facilities Fund

The classroom facilities fund had \$2,113,010 in revenues and other financing sources and \$52,123,318 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$50,010,308 from a balance of \$76,308,612 to a balance of \$26,298,304. The classroom facilities fund had construction expenditures of approximately \$52 million in fiscal year 2012; however, this was partially offset by approximately \$1.9 million in grants from the OSFC related to the project.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

General Fund Budgeting Highlights

The 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 2012, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$36,813,197, which was higher than the original budgeted revenues estimate of \$35,051,116. Actual revenues and other financing sources for fiscal year 2012 were \$36,813,197. This is the same figure that was used for the final budgeted revenues.

General fund original appropriations and other financing uses of \$37,220,695 were decreased by \$652,300 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$36,568,395, which was the same as the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$136,370,715 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. This entire amount is reported in governmental activities.

The following table shows fiscal year 2012 balances compared to 2011:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,884,452	\$ 1,916,152
Construction in progress	102,714,262	38,083,617
Land improvements	510,469	1,462,261
Building and improvements	28,237,324	36,016,167
Furniture and equipment	1,954,906	2,696,992
Vehicles	789,574	955,202
Infrastructure	125,149	149,256
Textbooks	<u>154,579</u>	<u>171,136</u>
Total	<u>\$ 136,370,715</u>	<u>\$ 81,450,783</u>

The overall increase in capital assets is due to capital outlays of \$64,934,567 exceeding depreciation expense of \$1,914,354 and disposals (net of accumulated depreciation) of \$8,100,281 in the current period.

See Note 7 to the basic financial statements for detail.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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Debt Administration

At June 30, 2012, the District had \$90,534,923 in general obligation bonds, \$47,468 in pollution remediation obligation and \$13,540,000 in capital lease – certificates of participation. Of this total, \$3,772,845 is due within one year and \$100,349,546 is due within greater than one year. The following table summarizes the liabilities outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 90,534,923	\$ 93,535,181
Pollution remediation obligation	47,468	-
Capital lease - COP	<u>13,540,000</u>	<u>14,290,000</u>
Total	<u>\$ 104,122,391</u>	<u>\$ 107,825,181</u>

See Note 12 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District continues to receive support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the District was in November 2011, with the promise that the revenue generated by a levy would provide sufficient funding for five 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 year later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is compared to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, the 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 45.26% of revenues for governmental activities for the District in fiscal year 2012.

The 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 stretched for eight years (three more than originally planned). This has made it increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increase in health insurance and property/liability/fleet insurance.

From 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 Districts with little property tax wealth.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The District has not anticipated any 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 District. The District remains concerned about the future of revenue from state and local sources. With the recent passage of House Bill 153, the State's biennial budget for fiscal years 2012 and 2013 shows no growth from state sources when combined with stimulus funds paid as part of the State foundation program.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Douglas Beeman, Treasurer of Wadsworth City School District, 524 Broad Street., Wadsworth, Ohio 44281, e-mail wadc_beeman@wadsworthschools.org.

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**BASIC
FINANCIAL STATEMENTS**

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 55,652,453
Receivables:	
Property taxes	22,168,186
Accounts	31,605
Accrued interest	138,920
Intergovernmental	2,057,840
Materials and supplies inventory	223,009
Unamortized bond issuance costs	995,872
Capital assets:	
Land and construction in progress	104,598,714
Depreciable capital assets, net	31,772,001
Capital assets, net	136,370,715
 Total assets	 217,638,600
 Liabilities:	
Accounts payable	275,301
Contracts payable	6,010,534
Retainage payable	921,880
Accrued wages and benefits	3,305,425
Pension obligation payable	883,846
Intergovernmental payable	264,370
Unearned revenue	18,567,979
Accrued interest payable	397,631
Long-term liabilities:	
Due within one year	4,399,346
Due in more than one year	104,027,379
Total long-term liabilities	108,426,725
Total liabilities	139,053,691
 Net Assets:	
Invested in capital assets, net of related debt	38,699,873
Restricted for:	
Capital projects	35,528,017
Classroom facilities maintenance	1,069,515
Debt service	4,829,468
Locally funded programs	43,987
State funded programs	23,048
Federally funded programs	19,038
Student activities	189,232
Other purposes	613,704
Unrestricted (deficit)	(2,430,973)
Total net assets	\$ 78,584,909

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 18,775,004	\$ 617,465	\$ 157,381	\$ -	\$ (18,000,158)
Special	2,900,373	313,202	1,571,370	-	(1,015,801)
Vocational	1,649,470	215,437	338,807	-	(1,095,226)
Adult/continuing	36,591	26,654	-	-	(9,937)
Other	1,328,205	-	-	-	(1,328,205)
Support services:					
Pupil	2,906,682	-	239,689	-	(2,666,993)
Instructional staff	1,101,405	-	126,978	-	(974,427)
Board of education	299,170	-	-	-	(299,170)
Administration	3,446,132	182,639	116,296	-	(3,147,197)
Fiscal	880,318	-	-	-	(880,318)
Operations and maintenance	3,824,414	39,687	4,426	-	(3,780,301)
Pupil transportation	1,751,853	20,090	34,825	-	(1,696,938)
Central	893,381	-	18,558	-	(874,823)
Operation of non-instructional services:					
Other non-instructional services	339,007	124,795	238,456	-	24,244
Food service operations	1,364,494	838,119	576,594	-	50,219
Extracurricular activities	1,045,916	487,099	103	-	(558,714)
Interest and fiscal charges	5,056,848	-	-	1,093,228	(3,963,620)
Total governmental activities	\$ 47,599,263	\$ 2,865,187	\$ 3,423,483	\$ 1,093,228	(40,217,365)

General Revenues:

Property taxes levied for:	
General purposes	17,347,980
Debt service	5,373,638
Payment in lieu of taxes	156,176
Grants and entitlements not restricted to specific programs:	
General purposes	17,976,263
Capital grants	1,912,739
Classroom facilities and maintenance	387,949
Investment earnings	100,019
Decrease in FMV of investments	(702,420)
Miscellaneous	132,911
Total general revenues	42,685,255
Special items	(7,967,594)
Total general revenues and special items	34,717,661
Change in net assets	(5,499,704)
Net assets at beginning of year	84,084,613
Net assets at end of year	\$ 78,584,909

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Debt Service	Building	Classroom Facilities
Assets:				
Equity in pooled cash and investments	\$ 8,344,431	\$ 3,975,431	\$ 7,475,527	\$ 31,697,134
Receivables:				
Property taxes	16,415,800	5,752,386	-	-
Accounts	24,577	-	567	1,125
Accrued interest	40,414	-	5,339	93,167
Interfund loans	85,436	-	-	-
Intergovernmental	183,498	-	-	805,993
Materials and supplies inventory	219,556	-	-	-
Total assets	<u>\$ 25,313,712</u>	<u>\$ 9,727,817</u>	<u>\$ 7,481,433</u>	<u>\$ 32,597,419</u>
Liabilities:				
Accounts payable	\$ 242,496	\$ -	\$ -	\$ -
Contracts payable	-	-	1,175,052	4,835,482
Retainage payable	-	-	-	921,880
Accrued wages and benefits	3,036,730	-	-	-
Compensated absences payable	455,689	-	-	-
Interfund loans payable	-	-	-	-
Intergovernmental payable	249,911	-	-	-
Unearned revenue	13,669,630	4,898,349	-	-
Deferred revenue	812,086	244,797	5,262	541,753
Pension obligation payable	842,052	-	-	-
Total liabilities	<u>19,308,594</u>	<u>5,143,146</u>	<u>1,180,314</u>	<u>6,299,115</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	219,556	-	-	-
Restricted:				
Debt service	-	4,584,671	-	-
Capital improvements	-	-	6,301,119	26,298,304
Classroom facilities maintenance	-	-	-	-
Food service operations	-	-	-	-
Non-public schools	-	-	-	-
Special education	-	-	-	-
Other purposes	-	-	-	-
Extracurricular	-	-	-	-
Committed:				
Student and staff support	30,232	-	-	-
Student instruction	2,996	-	-	-
Assigned:				
Student instruction	62,348	-	-	-
Student and staff support	469,461	-	-	-
Extracurricular activities	2,512	-	-	-
Public school support	93,602	-	-	-
Uniform school supplies	19,465	-	-	-
Adult education	1,866	-	-	-
Employee benefits	33,792	-	-	-
Other purposes	30,898	-	-	-
Unassigned (deficit)	5,038,390	-	-	-
Total fund balances	<u>6,005,118</u>	<u>4,584,671</u>	<u>6,301,119</u>	<u>26,298,304</u>
Total liabilities and fund balances	<u>\$ 25,313,712</u>	<u>\$ 9,727,817</u>	<u>\$ 7,481,433</u>	<u>\$ 32,597,419</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 4,159,930	\$ 55,652,453
-	22,168,186
5,336	31,605
-	138,920
-	85,436
1,068,349	2,057,840
3,453	223,009
<u>\$ 5,237,068</u>	<u>\$ 80,357,449</u>
\$ 32,805	\$ 275,301
-	6,010,534
-	921,880
268,695	3,305,425
2,151	457,840
85,436	85,436
14,459	264,370
-	18,567,979
694,177	2,298,075
41,794	883,846
<u>1,139,517</u>	<u>33,070,686</u>
3,453	223,009
-	4,584,671
2,356,481	34,955,904
1,069,515	1,069,515
484,326	484,326
31,808	31,808
67,644	67,644
176,310	176,310
189,232	189,232
-	30,232
-	2,996
-	62,348
-	469,461
-	2,512
-	93,602
-	19,465
-	1,866
-	33,792
-	30,898
(281,218)	4,757,172
<u>4,097,551</u>	<u>47,286,763</u>
<u>\$ 5,237,068</u>	<u>\$ 80,357,449</u>

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 47,286,763
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		136,370,715
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 1,052,467	
Sales taxes receivable	422,729	
Accrued interest receivable	52,584	
Intergovernmental receivable	770,295	
Total		2,298,075
Unamortized bond issuance costs are not recognized in the funds.		995,872
Unamortized premiums on bond issuances costs are not recognized in the funds.		(3,415,336)
Unamortized deferred losses on refundings are not recognized in the funds.		464,404
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(397,631)
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	(87,583,991)	
Capital lease obligation - COP	(13,540,000)	
Pollution remediation obligation	(47,468)	
Compensated absences	(3,846,494)	
Total		(105,017,953)
Net assets of governmental activities		\$ 78,584,909

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Classroom Facilities</u>
Revenues:				
From local sources:				
Property taxes	\$ 17,464,089	\$ 5,430,653	\$ -	\$ -
Payment in lieu of taxes	156,176	-	-	-
Tuition	772,303	-	-	-
Transportation fees	20,090	-	-	-
Earnings on investments	88,161	9,771	98,375	658,200
Charges for services	-	-	-	-
Extracurricular	316,801	-	-	-
Classroom materials and fees	145,024	-	-	-
Rental income	38,346	-	-	-
Contributions and donations	670	-	-	-
Contract services	197,448	-	-	-
Other local revenues	17,799	118,374	-	-
Intergovernmental - intermediate	-	-	-	-
Intergovernmental - state	18,184,832	753,469	-	1,939,783
Intergovernmental - federal	173,254	1,093,228	-	-
Increase (decrease) in FMV of investments	(81,347)	13,942	(111,395)	(523,620)
Total revenues	<u>37,493,646</u>	<u>7,419,437</u>	<u>(13,020)</u>	<u>2,074,363</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,833,512	-	-	-
Special	2,132,321	-	-	-
Vocational	1,534,497	-	-	-
Adult/continuing	36,245	-	-	-
Other	1,337,720	-	-	-
Support services:				
Pupil	2,667,130	-	-	-
Instructional staff	968,133	-	-	-
Board of education	265,566	-	9,963	23,484
Administration	3,290,771	-	-	-
Fiscal	766,733	95,792	764	6,233
Operations and maintenance	3,394,108	-	-	-
Pupil transportation	1,568,507	-	-	-
Central	658,659	-	-	-
Operation of non-instructional services:				
Other non-instructional services	-	-	-	-
Food service operations	-	-	-	-
Extracurricular activities	631,990	-	-	-
Facilities acquisition and construction	18,184	-	12,975,845	52,093,601
Debt service:				
Principal retirement	-	3,330,000	-	-
Interest and fiscal charges	-	4,446,291	-	-
Total expenditures	<u>36,104,076</u>	<u>7,872,083</u>	<u>12,986,572</u>	<u>52,123,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,389,570</u>	<u>(452,646)</u>	<u>(12,999,592)</u>	<u>(50,048,955)</u>
Other financing sources:				
Sale of assets	71,087	-	18,053	38,647
Total other financing sources	<u>71,087</u>	<u>-</u>	<u>18,053</u>	<u>38,647</u>
Net change in fund balances	1,460,657	(452,646)	(12,981,539)	(50,010,308)
Fund balances at beginning of year	<u>4,544,461</u>	<u>5,037,317</u>	<u>19,282,658</u>	<u>76,308,612</u>
Fund balances at end of year	<u>\$ 6,005,118</u>	<u>\$ 4,584,671</u>	<u>\$ 6,301,119</u>	<u>\$ 26,298,304</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 22,894,742
-	156,176
208,903	981,206
-	20,090
432	854,939
838,119	838,119
324,891	641,692
-	145,024
-	38,346
19,885	20,555
-	197,448
7,680	143,853
1,722,162	1,722,162
232,135	21,110,219
2,825,796	4,092,278
-	(702,420)
6,180,003	53,154,429

1,037,597	17,871,109
823,636	2,955,957
96,125	1,630,622
-	36,245
-	1,337,720

256,350	2,923,480
137,416	1,105,549
-	299,013
125,177	3,415,948
364	869,886
24,705	3,418,813
13,415	1,581,922
21,822	680,481

324,569	324,569
1,338,722	1,338,722
300,167	932,157
134,538	65,222,168

750,000	4,080,000
292,660	4,738,951

5,677,263	114,763,312
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502,740	(61,608,883)
---------	--------------

4,900	132,687
-------	---------

4,900	132,687
-------	---------

507,640	(61,476,196)
---------	--------------

3,589,911	108,762,959
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\$ 4,097,551	\$ 47,286,763
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**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (61,476,196)

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

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

Capital asset additions	\$ 64,934,567	
Current year depreciation	(1,914,354)	
Total		63,020,213

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (8,100,281)

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

Property taxes	(173,124)	
Sales taxes	105,239	
Accrued interest	(62,272)	
Intergovernmental	(2,964,806)	
Total		(3,094,963)

Repayment of bond principal, accreted interest and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	2,932,226	
Accreted interest	397,774	
Capital lease - COP	750,000	
Total		4,080,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	88,840	
Accreted interest on capital appreciation bonds	(602,425)	
Amortization of bond issuance costs	(76,995)	
Amortization of bond premiums	314,901	
Amortization of refunding loss	(42,218)	
Total		(317,897)

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

Compensated absences		
Pollution remediation obligation	436,888	
Total	(47,468)	389,420

Change in net assets of governmental activities \$ (5,499,704)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 16,065,000	\$ 16,955,424	\$ 16,955,424	\$ -
Tuition.	590,000	707,828	707,828	-
Transportation fees.	8,000	12,837	12,837	-
Earnings on investments	50,000	94,856	94,856	-
Extracurricular.	150,000	162,208	162,208	-
Classroom materials and fees	97,000	111,983	111,983	-
Rental income	25,000	37,154	37,154	-
Contract services.	20,000	25,251	25,251	-
Other local revenues	23,000	18,809	18,809	-
Intergovernmental - state	17,897,346	18,184,832	18,184,832	-
Intergovernmental - federal	25,000	180,108	180,108	-
Total revenues	<u>34,950,346</u>	<u>36,491,290</u>	<u>36,491,290</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,408,598	16,753,819	16,753,819	-
Special.	2,359,465	2,025,569	2,025,569	-
Vocational.	1,394,137	1,413,708	1,413,708	-
Other.	1,169,144	1,372,599	1,372,599	-
Support services:				
Pupil.	2,487,212	2,636,605	2,636,605	-
Instructional staff	972,589	1,013,253	1,013,253	-
Board of education	431,095	245,785	245,785	-
Administration.	3,001,700	3,199,372	3,199,372	-
Fiscal	666,737	775,630	775,630	-
Operations and maintenance.	4,185,788	3,898,435	3,898,435	-
Pupil transportation	1,471,920	1,683,822	1,683,822	-
Central.	841,761	693,539	693,539	-
Extracurricular activities.	721,549	629,011	629,011	-
Facilities acquisition and construction	27,000	16,714	16,714	-
Total expenditures	<u>37,138,695</u>	<u>36,357,861</u>	<u>36,357,861</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,188,349)</u>	<u>133,429</u>	<u>133,429</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	5,000	55,222	55,222	-
Refund of prior year's receipts.	(2,000)	(1,115)	(1,115)	-
Transfers (out).	(10,000)	(103,983)	(103,983)	-
Advances in.	95,770	195,770	195,770	-
Advances (out)	(70,000)	(105,436)	(105,436)	-
Sale of assets	-	70,915	70,915	-
Total other financing sources (uses)	<u>18,770</u>	<u>111,373</u>	<u>111,373</u>	<u>-</u>
Net change in fund balance	(2,169,579)	244,802	244,802	-
Fund balance at beginning of year	6,588,398	6,588,398	6,588,398	-
Prior year encumbrances appropriated	663,338	663,338	663,338	-
Fund balance at end of year	<u>\$ 5,082,157</u>	<u>\$ 7,496,538</u>	<u>\$ 7,496,538</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2012

	Agency
Assets:	
Equity in pooled cash and investments.	\$ 182,692
Receivables:	
Accounts	145,619
Total assets.	\$ 328,311
 Liabilities:	
Accounts payable.	\$ 3,971
Accrued wages and benefits	5,911
Pension obligation payable.	2,479
Intergovernmental payable	734
Undistributed monies.	315,216
Total liabilities	\$ 328,311

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Wadsworth City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected five-member board of education and provides educational services as mandated by state and/or federal agencies. This Board controls the District's eight instructional/support facilities staffed by 219 non-certified employees and 288 certified full-time teaching personnel who provide services to 4,831 students and other community members.

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

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government) and include all of the funds of the District over which the Board of Education exercises operating control.

The District is involved in two jointly governed organizations, a related organization and a public entity risk pool which are described in Note 15, Note 16 and Note 17, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies guidance that was issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental activities provided it does not conflict with or contradict GASB pronouncements.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements - During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental 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.

B. Fund Accounting

The 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. The District has no proprietary funds.

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.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for resources that are restricted for payment of debt service principal and interest.

Building fund - The Building fund is used to account for resources that are restricted for capital outlays including the acquisition or construction of capital facilities and other capital assets. This fund accounts for receipts and expenditures related to all special bond funds in the 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 resources restricted in connection with contracts entered into by the District and the Ohio School Facilities Commission (OSFC) for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund. The District's agency funds accounts for student activities and the Four Cities Educational Compact as shown in Note 15.

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 District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Agency funds do not report a measurement focus as they do not report operations.

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. 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 District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the 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 5) 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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 District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2012 the District had investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, negotiable certificates of deposit, Federal Farm Credit Bank (FFCB) bonds, Federal Home Loan Bank (FHLB) bonds, Federal Home Loan Mortgage Corporation (FHLMC) bonds, Federal National Mortgage Association (FNMA) bonds, FNMA discount notes, and investments in U.S. Treasury money market mutual funds. See Note 4 for a full listing of the District's investments. All investments are reported at fair value which is based on quoted market prices except for nonparticipating investments contracts, such as nonnegotiable certificates of deposit, which are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$88,161, which includes \$40,198 from other District funds.

For presentation on the financial statements, 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 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 purchased from the pool are reported as "investments".

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 District capital asset policy is to tag all items over \$5,000 and other items controlled by management. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land improvements	39 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	13 years
Textbooks	5 years
Infrastructure	5 - 50 years

G. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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 District's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, compensated absences 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 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 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 ended June 30, 2012.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Interfund Activity

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. Transfers between governmental funds are eliminated for reporting on the government-wide statement of activities. Interfund services provided and used are not eliminated for reporting on the government-wide statement of activities.

L. Unamortized Issuance Costs/Bond Premiums/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 12.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During the current fiscal year, the District reported an special item of \$7,967,594 in the statement of activities due to the disposal of a school building and contents.

N. Estimates

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

O. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2012.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 restricted, committed or assigned 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.

P. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expense/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

Q. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 145,658
Race to the top	8
IDEA Part-B	81,483
Vocational education	20,137
Title I - disadvantaged children	18,274
IDEA preschool for handicapped	119
Improving teacher quality	15,539

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (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 (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent 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.

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

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

A. Cash on Hand

At fiscal year end, the District had \$5,680 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$6,603,635. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$8,193,092 of the District's bank balance of \$10,144,099 was exposed to custodial risk as discussed below, while \$1,951,007 was covered by the FDIC.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2012, the District had the following investments and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
Negotiable CD's	\$ 11,018,042	\$ 8,757,385	\$ 2,011,292	\$ 249,365
FFCB	827,142	-	827,142	-
FHLB	18,374,739	17,317,735	1,057,004	-
FHLMC	1,502,745	1,502,745	-	-
U.S. Treasury money market	17,481,112	17,481,112	-	-
STAR Ohio	22,050	22,050	-	-
Total	<u>\$ 49,225,830</u>	<u>\$ 45,081,027</u>	<u>\$ 3,895,438</u>	<u>\$ 249,365</u>

The weighted average maturity of investments is 0.15 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Districts' investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's U.S. Treasury money market mutual funds were rated AAAM by Standard & Poor's. The District's investment policy does not specifically address credit risk beyond the adherence to Chapter 135 of the Ohio Revised Code, of which all relevant provisions are described previously in this note disclosure (Note 4).

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 11,018,042	22.39
FFCB	827,142	1.68
FHLB	18,374,739	37.33
FHLMC	1,502,745	3.05
U.S. Treasury money market	17,481,112	35.51
STAR Ohio	<u>22,050</u>	<u>0.04</u>
Total	<u>\$ 49,225,830</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,603,635
Investments	49,225,830
Cash on hand	<u>5,680</u>
Total	<u>\$ 55,835,145</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 55,652,453
Agency funds	<u>182,692</u>
Total	<u>\$ 55,835,145</u>

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Medina County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,938,500 in the general fund and \$609,240 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,356,781 in the general fund and \$458,207 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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 unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 496,657,880	79.31	\$ 498,747,160	79.63
Commercial/industrial real estate	113,510,530	18.12	111,705,320	17.84
Public utility personal	<u>16,098,940</u>	<u>2.57</u>	<u>15,821,140</u>	<u>2.53</u>
Total	<u>\$ 626,267,350</u>	<u>100.00</u>	<u>\$ 626,273,620</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation		\$72.60		\$78.50

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 year guarantee of federal funds. A summary of the receivables on the statement of net assets follows:

Governmental activities:

Taxes	\$ 22,168,186
Accounts	31,605
Accrued interest	138,920
Intergovernmental	<u>2,057,840</u>
Total	<u>\$ 24,396,551</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental activities:	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,916,152	\$ -	\$ (31,700)	\$ 1,884,452
Construction in progress	<u>38,083,617</u>	<u>64,630,645</u>	<u>-</u>	<u>102,714,262</u>
Total capital assets, not being depreciated	<u>39,999,769</u>	<u>64,630,645</u>	<u>(31,700)</u>	<u>104,598,714</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,582,172	-	(1,418,083)	1,164,089
Buildings and improvements	53,734,795	-	(15,668,053)	38,066,742
Furniture and equipment	10,920,628	303,922	(3,219,235)	8,005,315
Vehicles	2,657,457	-	-	2,657,457
Infrastructure	256,482	-	-	256,482
Textbooks	<u>1,773,632</u>	<u>-</u>	<u>(18,737)</u>	<u>1,754,895</u>
Total capital assets, being depreciated	<u>71,925,166</u>	<u>303,922</u>	<u>(20,324,108)</u>	<u>51,904,980</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,119,911)	(134,699)	600,990	(653,620)
Buildings and improvements	(17,718,628)	(1,042,560)	8,931,770	(9,829,418)
Furniture and equipment	(8,223,636)	(532,677)	2,705,904	(6,050,409)
Vehicles	(1,702,255)	(165,628)	-	(1,867,883)
Infrastructure	(107,226)	(24,107)	-	(131,333)
Textbooks	<u>(1,602,496)</u>	<u>(14,683)</u>	<u>16,863</u>	<u>(1,600,316)</u>
Total accumulated depreciation	<u>(30,474,152)</u>	<u>(1,914,354)</u>	<u>12,255,527</u>	<u>(20,132,979)</u>
Governmental activities capital assets, net	<u>\$ 81,450,783</u>	<u>\$ 63,020,213</u>	<u>\$ (8,100,281)</u>	<u>\$ 136,370,715</u>

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,185,809
Special	4,723
Vocational	32,588
Adult continuing	346
<u>Support services:</u>	
Pupil	65,879
Instructional staff	8,338
Board of Education	157
Administration	30,292
Fiscal	1,389
Operations and maintenance	60,069
Pupil transportation	167,308
Central	212,900
<u>Operation of non-instructional services:</u>	
Other non-instructional services	14,586
Food service operations	20,297
Extracurricular activities	109,673
Total depreciation expense	<u>\$ 1,914,354</u>

NOTE 8 - RISK MANAGEMENT

A. Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$10,000 per incident and a policy limit of \$131,241,488. The 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 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.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 8 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

D. Employee Health Benefits

In July 2010, the District joined the Summit Regional Health Care Consortium (SRHCC) Health Benefits Program, a public entity risk pool, to provide employee hospitalization, dental, prescription drug, vision, life, and disability benefits (See Note 17 for detail). Premium rates are set or determined by the Board of Directors of the SRHCC. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each member of the SRHCC may require contributions from its employees toward the cost of any benefit program being offered by the District and such contributions shall be included in the payments from the District to the fiscal agent of the SRHCC. The District pays a monthly premium to the SRHCC. Because the District is a member of the SRHCC and the SRHCC holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

NOTE 9 - OTHER EMPLOYEE BENEFITS

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 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 employees receive \$100 per year until they reach the 80 day cap if retiring after 15 years, for each year with the District. Classified employees receive 1 additional day of sick pay until they reach the 80 day cap if retiring after 15 years, for each year with the 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.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$653,799, \$639,672 and \$785,422, respectively; 59.85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,535,813, \$2,646,374 and \$2,612,450, respectively; 82.73 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$124,912 made by the District and \$89,223 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

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 allocates 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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$135,533, \$159,954 and \$28,270, respectively; 59.85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$38,610, \$41,164 and \$46,707, respectively; 59.85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$195,063, \$203,567 and \$199,861, respectively; 82.73 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Series BQ Bonds - 2009					
Serial Bonds - 2.00-5.00%, 6/09 - 12/37	\$ 9,465,000	\$ -	\$ (245,000)	\$ 9,220,000	\$ 250,000
Capital Appreciation bonds - 25.929%, 12/16 - 12/18	109,995	-	-	109,995	-
Accretion on Capital Appreciation bonds	65,639	48,491	-	114,130	-
Premium	350,133	-	(12,968)	337,165	-
School Improvement Refunding Bonds - 2007					
Serial Bonds - 4%, 6/06 - 12/22	8,050,000	-	(105,000)	7,945,000	750,000
Capital Appreciation bonds - 10.439%, 12/15 - 12/16	659,993	-	-	659,993	-
Accretion on Capital Appreciation bonds	363,086	108,951	-	472,037	-
Premium	402,181	-	(33,515)	368,666	-
Refunding Loss	(266,272)	22,189	-	(244,083)	-
School Improvement Refunding Bonds - 2006					
Serial Bonds - 4-4.2%, 6/06 - 12/22	8,235,000	-	(115,000)	8,120,000	120,000
Capital Appreciation bonds - 12.1 - 12.2%, 12/14 - 12/15	614,990	-	-	614,990	-
Accretion on Capital Appreciation bonds	495,910	139,464	-	635,374	-
Premium	381,303	-	(31,775)	349,528	-
Refunding Loss	(240,350)	20,029	-	(220,321)	-
School Improvement Bonds - 1998					
Serial Bonds - 3.75-5.125%, 4/98 - 12/11	610,000	-	(610,000)	-	-
School Improvement Bonds - 1999					
Serial Bonds - 3.30-5.00%, 4/99 - 12/22	595,000	-	-	595,000	-
Capital Appreciation bonds - 5%, 12/10 - 12/12	456,894	-	(230,586)	226,308	226,308
Accretion on Capital Appreciation bonds	598,061	55,710	(324,414)	329,357	329,357
School Improvement Bonds - 2000					
Capital Appreciation bonds - 5.15%, 12/10 - 12/12	61,185	-	(31,640)	29,545	29,545
Accretion on Capital Appreciation bonds	128,918	14,772	(73,360)	70,330	70,330
Library Improvement Bonds - 2001 (see Note 16)					
Serial Bonds - 3.00-4.40%, 12/01 - 12/11	275,000	-	(275,000)	-	-
Term Bonds - 5.05-5.10%, 12/12 - 12/22	2,750,000	-	-	2,750,000	-
Capital Appreciation bonds - 7.296%, 12/12 - 12/14	355,000	-	-	355,000	127,640
Accretion on Capital Appreciation bonds	369,851	53,636	-	423,487	152,197
Energy Conservation Imp. Bonds - 2001					
5.25%, 12/01 - 12/14	400,000	-	(100,000)	300,000	100,000

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Taxable Build America Bonds - 2009					
Serial Bonds - 1.75-5.01%, 9/09 - 12/19	4,985,000	-	(485,000)	4,500,000	495,000
Term Bonds - 5.41-7.00%, 12/21 - 12/37	21,540,000	-	-	21,540,000	-
Premium	543,270	-	(20,501)	522,769	-
School Improvement Bonds - 2010A					
Serial Bonds - 2%, 12/11 - 12/15	2,420,000	-	(735,000)	1,685,000	300,000
Capital Appreciation bonds - 22.072%, 12/16 - 12/20	679,951	-	-	679,951	-
Accretion on Capital Appreciation bonds	77,093	181,401	-	258,494	-
Premium	2,053,350	-	(216,142)	1,837,208	-
Taxable Build America Bonds - 2010B					
Serial Bonds - 4.31-4.71%, 12/21 - 12/23	3,065,000	-	-	3,065,000	-
Term Bonds - 5.06-6.21%, 12/25 - 12/37	22,885,000	-	-	22,885,000	-
Total General Obligation Bonds	93,535,181	644,643	(3,644,901)	90,534,923	2,950,377
Capital Lease - Certificate of Participation	14,290,000	-	(750,000)	13,540,000	775,000
Pollution Remediation Obligation	-	47,468	-	47,468	47,468
Compensated Absences					
Severance	4,316,610	182,359	(363,296)	4,135,673	457,840
Vacation	170,171	168,661	(170,171)	168,661	168,661
Total compensated absences	4,486,781	351,020	(533,467)	4,304,334	626,501
Total governmental activities long-term liabilities	<u>\$ 112,311,962</u>	<u>\$ 1,043,131</u>	<u>\$ (4,928,368)</u>	<u>\$ 108,426,725</u>	<u>\$ 4,399,346</u>

Capital Lease - Certificate of Participation

See Note 13 for detail on the District's capital lease.

Pollution Remediation Obligation

During fiscal year 2012, the District commenced pollution remediation by removing asbestos in one of their buildings. The pollution remediation is expected to be completed in fiscal year 2013, and the obligation will be paid from the classroom facilities fund.

Compensated absences

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Series 2010A School Improvement General Obligation Bonds

On September 15, 2010, the District issued \$3,099,951 of Series 2010A school improvement bonds to finance the local share of the District's Ohio School's Facility Commission's building project. This issue is comprised of both current interest serial bonds, par value \$2,420,000, and capital appreciation bonds, par value \$679,951. These bonds are not subject to early redemption. The final stated maturity on the Series 2010A school improvement bonds is December 1, 2020. These bonds will be retired from the debt service fund.

The general obligation bonds were issued with a premium of \$2,224,463. 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, 2012 was \$216,142. Bond issuance costs associated with the issuance of these bonds totaled \$384,596. This amount is being amortized over the life of the bonds and during the current fiscal year \$29,561 was expensed as interest.

The capital appreciation bonds mature December 1, 2016, 2017, 2018, 2019, and 2020. These bonds were sold 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 \$3,745,000.

Series 2010B Build America Bonds (BABs)

On September 15, 2010, the District issued \$25,950,000 of Series 2010B BABs to finance the local share of the District's Ohio School's Facility Commission's building project. This issue is comprised of both current interest serial bonds, par value \$3,065,000, and term bonds, par value \$22,885,000. These bonds are subject to early redemption as described below. The final stated maturity on the Series 2010B BABs is December 1, 2037. These bonds will be retired from the debt service fund. The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the debt service fund.

The BABs are subject to optional redemption, extraordinary optional redemption and mandatory sinking fund redemption as follows:

Optional Redemption - the BABs maturing on or after December 1, 2020 are subject to prior redemption by and at the sole option of the District, either in whole or in part, on any date on or after December 1, 2019, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption - the BABs are also subject to redemption prior to maturity by and at the sole option of the District, either in whole or in part on any date at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, in the event that the BAB Direct Payments cease or are reduced.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Mandatory Sinking Fund Redemption - the BAB term bonds mature on December 1, 2025, December 1, 2030, December 1, 2033 and December 1, 2037 in the amounts of \$2,355,000, \$7,430,000, \$5,180,000 and \$7,920,000, respectively. The BAB term bonds are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Redemption</u>
2024	\$ 1,150,000
2025	1,205,000
2026	1,360,000
2027	1,435,000
2028	1,490,000
2029	1,545,000
2030	1,600,000
2031	1,660,000
2032	1,725,000
2033	1,795,000
2034	1,865,000
2035	1,940,000
2036	2,015,000
2037	<u>2,100,000</u>
Total	<u>\$ 22,885,000</u>

Series 2009 Build America Bonds (BABs)

On September 9, 2009, the District issued \$27,000,000 in BABs with an average interest rate of 6.345% and a maturity of 28 years. This issue is comprised of both current interest serial bonds, par value \$5,460,000, and term bonds, par value \$21,540,000. These bonds are subject to early redemption as described below. The final stated maturity on the 2009 BABs is December 1, 2037. These bonds will be retired from the debt service fund. The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the debt service fund.

The general obligation bonds were issued with a premium of \$574,021. 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, 2012 was \$20,501. Bond issuance costs associated with the issuance of these bonds totaled \$467,880. This amount is being amortized over the life of the bonds and during the current fiscal year \$16,710 was expensed as interest.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The BABs are subject to optional redemption, extraordinary optional redemption and mandatory sinking fund redemption as follows:

Optional Redemption - the BABs maturing on or after December 1, 2018 are subject to prior redemption by and at the sole option of the District, either in whole or in part, on any date on or after December 1, 2017, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption - the BABs are also subject to redemption prior to maturity by and at the sole option of the District, either in whole or in part on any date at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, in the event that the BAB Direct Payments cease or are reduced.

Mandatory Sinking Fund Redemption - the BAB term bonds mature on December 1, 2021, December 1, 2023, December 1, 2029 and December 1, 2037 in the amounts of \$1,395,000, \$1,555,000, \$5,960,000 and \$12,630,000, respectively. The BAB term bonds are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Redemption</u>
2020	\$ 680,000
2021	715,000
2022	755,000
2023	800,000
2024	840,000
2025	895,000
2026	955,000
2027	1,025,000
2028	1,085,000
2029	1,160,000
2030	1,235,000
2031	1,320,000
2032	1,415,000
2033	1,515,000
2034	1,620,000
2035	1,700,000
2036	1,855,000
2037	<u>1,970,000</u>
Total	<u>\$ 21,540,000</u>

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Series 2009 BQ Bonds

On June 29, 2009, the District issued \$9,599,995 Series 2009A general obligation bonds. The proceeds of the bonds were used to construct, remodel and improve District buildings and facilities. The bonds were issued for a 29 year period with final maturity at December 1, 2037. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. These bonds will be retired from the debt service fund.

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, 2012 was \$12,968.

The capital appreciation bonds mature December 1, 2016, 2017, and 2018. These bonds were sold 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.

Series 2007 School Improvement Refunding General Obligation Bonds

On February 6, 2007, the District issued \$9,169,993 refunded general obligation bonds. The proceeds of the bonds were used to advance refund \$9,170,000 of the District's outstanding Series 1998 School Improvement bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2022. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. These bonds will be retired from the debt service fund.

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, 2011, \$8,605,000 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, 2012 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, 2012 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 2012 was \$22,189. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$594,174. The issuance resulted in an economic gain of \$444,217. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates method.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The capital appreciation bonds mature December 1, 2015 and 2016. These bonds were sold 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.

Series 2006 School Improvement Refunding General Obligation Bonds

On June 1, 2006, the District issued \$9,309,990 refunded general obligation bonds. The proceeds of the bonds were used to refund \$7,960,000 of the 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. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. These bonds will be retired from the debt service fund.

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, 2012, \$9,205,000 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, 2012 was \$31,775. The issuance costs of \$198,028 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization for June 30, 2012 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 2012 was \$20,029. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$418,484. The issuance resulted in an economic gain of \$306,718. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

The capital appreciation bonds mature December 1, 2014 and 2015. These bonds were sold 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.

Series 2001 Energy Conservation Improvement Bonds

During fiscal year 2001, the District issued \$1,400,000 in energy conservation improvement bonds to provide for energy improvements to various District buildings. Principal and interest payments on the bonds are made from the debt service fund. The source of repayment is from energy savings associated with the improvements. The energy improvement bonds mature December 1, 2014.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Series 2001 Library Improvement Bonds

On June 18, 2001, the District issued \$5,600,000 in general obligation library improvement bonds to finance improvements for the Ella M. Everhard Public Library (the "Library") Project. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022. These bonds will be retired from the debt service fund.

The issue is comprised of both current interest serial bonds, par value \$2,495,000, current interest term bonds, par value \$2,750,000, and capital appreciation bonds par value \$355,000. The capital appreciation bonds mature on December 1, 2012, December 1, 2013, and December 1, 2014 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2012, December 1, 2013 and December 1, 2014 is \$290,000, \$285,000, and 290,000, respectively. Total accreted interest of \$423,487 has been included in the statement of net assets at June 30, 2012.

See Note 16 for more information on the Library and its relationship to the District.

Series 2000 School Improvement Bonds

On April 18, 2000, the District issued \$2,249,999 in general obligation school improvement bonds to finance various construction and renovation projects at the District. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for the issue was December 1, 2022. These bonds will be retired from the debt service fund.

The issue was comprised of both current interest serial bonds, par value \$2,155,000, and capital appreciation bonds par value \$94,999. The serial bonds were refunded by the Series 2006 general obligation school improvement refunding bonds.

During fiscal year 2012, one of the capital appreciation bonds matured on December 1, 2011 at a maturity value of \$105,000. At June 30, 2012, the remaining capital appreciation bond matures on December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2012 is \$105,000. Total accreted interest of \$70,330 has been included in the statement of net assets at June 30, 2012.

Series 1999 School Improvement Bonds

On May 12, 1999, the District issued \$12,999,997 in general obligation school improvement bonds to finance various construction and renovation projects at the District. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for the issue was December 1, 2022. These bonds will be retired from the debt service fund.

The issue was comprised of both current interest serial bonds, par value \$3,750,000, current interest term bonds, par value \$8,555,000, and capital appreciation bonds, par value \$694,997. A portion of the serial bonds and all the term bonds were refunded by the Series 2006 general obligation school improvement refunding bonds. At June 30, 2012, the only remaining serial bond, in the amount of \$595,000, is scheduled to mature December 1, 2013.

**WADSWORTH CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

During fiscal year 2012, one of the capital appreciation bonds matured on December 1, 2011 at a maturity value of \$555,000. At June 30, 2012, the remaining capital appreciation bond matures on December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2012 is \$575,000. Total accreted interest of \$329,357 has been included in the statement of net assets at June 30, 2012.

Series 1998 School Improvement Bonds

On April 22, 1998, the District issued \$14,749,986 in general obligation school improvement bonds to finance various construction and renovation projects at the District. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated for the issue was December 1, 2022. These bonds will be retired from the debt service fund.

The issue was comprised of both current interest serial bonds, par value \$3,555,000, current interest term bonds, par value \$10,915,000, and capital appreciation bonds, par value \$279,986. A portion of the serial bonds and all the term bonds were refunded by the Series 2006 general obligation school improvement refunding bonds and the Series 2007 general obligation school improvement refunding bonds. During fiscal year 2012, the only remaining serial bond, in the amount of \$610,000, matured on December 1, 2011. The capital appreciation bonds matured on December 1, 2007 and December 1, 2008.

Future Debt Service Requirements

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 2,015,000	\$ 4,369,249	\$ 6,384,249	\$ 383,493	\$ 586,507	\$ 970,000
2014	2,770,000	4,298,645	7,068,645	116,764	168,236	285,000
2015	2,200,000	4,193,832	6,393,832	433,418	741,582	1,175,000
2016	1,695,000	4,127,452	5,822,452	637,967	1,102,033	1,740,000
2017	1,790,000	4,060,078	5,850,078	526,819	769,931	1,296,750
2018 - 2022	17,010,000	18,458,400	35,468,400	577,321	495,880	1,073,201
2023 - 2027	14,485,000	14,425,062	28,910,062	-	-	-
2028 - 2032	15,735,000	10,374,782	26,109,782	-	-	-
2033 - 2037	20,200,000	4,837,881	25,037,881	-	-	-
2038	4,705,000	150,027	4,855,027	-	-	-
Total	\$ 82,605,000	\$ 69,295,408	\$ 151,900,408	\$ 2,675,782	\$ 3,864,169	\$ 6,539,951

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - CAPITALIZED LEASE

During fiscal year 2010, the District entered into a lease-purchase agreement for the construction, furnishing and equipping two new elementary school buildings. The 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 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 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 District is to renew the lease annually.

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, 2012:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 1,051,203
2014	1,123,982
2015	1,120,660
2016	1,121,970
2017	1,122,860
2018 - 2022	5,612,950
2023 - 2026	<u>4,483,015</u>
Total minimum lease payment	15,636,640
Less: amount representing interest	<u>(2,096,640)</u>
Present value of minimum lease payments	<u>\$ 13,540,000</u>

NOTE 14 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 85,436</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15 - 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, 2012, the District paid approximately \$384,914 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 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.

NOTE 16 - RELATED ORGANIZATIONS

The Ella M. Everhard Public Library (the "Library") is a related organization to the 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 District. The 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 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 District during fiscal year 2012. 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 District approved the levy. See Note 12 for additional disclosures regarding the bond issue.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - PUBLIC ENTITY RISK POOL

Summit Regional Health Care Consortium

In July 2010, the District joined together with Barberton City School District, Copley-Fairlawn City School District, Norton City School District, and Revere Local School District to establish a regional council of governments, organized under Chapter 167 of the Ohio Revised Code, known as the Summit Regional Health Care Consortium (SRHCC) for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. The members of the SRHCC have undertaken a 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, and any other health care benefits which the members may determine. As part of this agreement, each member is required to share in the program costs by making monthly payments to cover the program costs. The Treasurer of the fiscal agent (Copley-Fairlawn City School District) serves as the Treasurer of the SHRCC and is responsible for coordinating and administering the Health Benefits Program.

The Health Benefits Program is governed by the Board of Directors of the SHRCC (Board), which consists of one designee by each member school district (with at least one Superintendent designee), and the representative of the fiscal agent or designee. The fiscal agent Treasurer and program consultant shall serve as non-voting members. The SRHCC representatives and the fiscal agent treasurer's representative shall serve a two-year term of office. The officers consist of a Chairperson and Vice-Chairperson who are elected for one year terms by the Board. The fiscal agent Treasurer shall be a permanent member of the Board and shall serve as the Recording Secretary.

In the event of withdrawal, members are entitled to recover its contributions to the SRHCC, if any, along with the proportionate share of interest earned on these contributions which are not encumbered for payment of its share of program costs. Claims submitted by covered persons of a withdrawing member after the recovery of funds will be exclusively the liability of the withdrawing member. Financial information for the SRHCC can be obtained from John Wheadon, Treasurer of the Copley-Fairlawn City School District at 3797 Ridgewood Road, Copley, Ohio 44321-1665.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 18 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While 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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 244,802
Net adjustment for revenue accruals	617,906
Net adjustment for expenditure accruals	(150,057)
Net adjustment for other sources/uses	(40,286)
Funds budgeted elsewhere	13,040
Adjustment for encumbrances	<u>775,252</u>
GAAP basis	<u>\$ 1,460,657</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the uniform school supplies fund, the rotary fund, the adult education fund and the insurance fund.

NOTE 20 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 20 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital <u>Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	811,166
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(559,952)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(251,214)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 21 - CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District had the following contractual commitments outstanding related to the Construction Project described in Note 12. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2012</u>	<u>Remaining Contract Amount</u>
Abbott Electric	\$ 1,722,638	\$ 379,481	\$ 1,343,157
Absolute Fire Protection	232,305	217,858	14,447
Accent Electric Systems Integrators	2,269,720	1,403,622	866,098
Barbicas Constr.	130,902	128,725	2,177
Baumann Enterprises, Inc.	242,000	-	242,000
Bob Bennett Const. Co.	304,627	304,627	-
Cleveland Enviromental	307,894	-	307,894
Coleman Trucking	47,468	-	47,468
Continental Office Envir.	113,253	-	113,253
D&A Plumbing	998,861	890,431	108,430
Dunlop & Johnston Inc.	11,963,883	9,811,812	2,152,071
Enertech Electrical	7,886,418	6,122,910	1,763,508
Feinman Mechanical Inc	510,370	472,812	37,558
Fire Foe Corp.	754,663	541,629	213,034
Foti Contracting	12,001,994	11,905,539	96,455
Gorman Lavelle Corp.	3,496,616	3,004,131	492,485
HI-Tech Electric	1,885,571	1,626,293	259,278
Jackson & Sons Drilling	1,455,000	1,384,057	70,943
Jones & Associates Excavating	274,800	274,800	-
Library Design Associates	78,836	-	78,836
M. Cambell	2,663,273	2,478,220	185,053
Martin Public Seating	723,136	-	723,136
McNerney & Sons In	495,128	-	495,128
Mr.Excavator	5,823,095	432,604	5,390,491
Mull Iron	5,062,826	4,769,763	293,063
Northeast Fire Protection	106,488	92,718	13,770
Precision Enviromental	259,195	-	259,195
R.A.M.E.	4,597,141	4,049,471	547,670
Ray Bertolini Trucking Co	139,870	-	139,870
Southeast Security	423,229	258,575	164,654
The K Company	7,545,076	6,440,290	1,104,786
The Knoch Corp	25,038,966	16,469,108	8,569,858
Tom Sexton & Associates	123,315	-	123,315
Vaughn Industries	4,533,807	4,244,429	289,378
	<u>\$ 104,212,364</u>	<u>\$ 77,703,905</u>	<u>\$ 26,508,459</u>

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 22 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 646,753
Building fund	6,301,161
Classroom facilities fund	16,561,299
Other governmental	<u>340,322</u>
Total	<u>\$ 23,849,535</u>

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**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster</u>			
Special Education - Grants to States	84.027	\$97,720	\$116,927
		759,722	742,890
ARRA - Special Education Grants to States, Recovery Act	84.391	19,068	32,215
Total Special Education -Grants to States		<u>876,510</u>	<u>892,032</u>
Special Education - Preschool Grants	84.173	15,186	14,917
		15,838	15,838
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	18,064	10,196
Total Special Education - Preschool Grants		<u>49,088</u>	<u>40,951</u>
Total Special Education Cluster		<u>925,598</u>	<u>932,983</u>
Title I Grants to Local Educational Agencies	84.010	(856)	26,745
		311,817	293,746
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	12,226	2,038
Total Title I Grants to Local Educational Agencies		<u>323,187</u>	<u>322,529</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		141,687
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	1,050	1,050
Educational Technology State Grants	84.318	882	708
Improving Teacher Quality State Grants	84.367	9,835	13,090
		105,837	103,144
Total Improving Teacher Quality State Grants		<u>115,672</u>	<u>116,234</u>
Education Jobs Fund	84.410	687,614	748,057
Career and Technical Education - Basic Grants to States	84.048	55,566	59,096
		150,234	150,547
Total Career and Technical Education - Basic Grants to States		<u>205,800</u>	<u>209,643</u>
Total U.S. Department of Education		<u>2,259,803</u>	<u>2,472,891</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	414,032	414,032
Non-Cash Assistance		72,498	72,498
School Breakfast Program	10.553	79,463	79,463
Total Child Nutrition Cluster		<u>565,993</u>	<u>565,993</u>
Total U.S. Department of Agriculture		<u>565,993</u>	<u>565,993</u>
Totals		<u>\$2,825,796</u>	<u>\$3,038,884</u>

The accompanying notes are an integral part of this schedule.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wadsworth City School District, Medina County, Ohio, (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2011 to 2012 program:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Title I Grants to Local Educational Agencies	84.010	\$ 856



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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Wadsworth City School District
Medina County
524 Broad Street
Wadsworth, Ohio 44281

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wadsworth City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 10, 2012.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

December 10, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Wadsworth City School District
Medina County
524 Broad Street
Wadsworth, Ohio 44281

To the Board of Education:

Compliance

We have audited the compliance of the Wadsworth City School District, Medina County, Ohio, (the 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 directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Wadsworth City School District, Medina County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance 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.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 10, 2012.

We intend this report solely for the information and use of management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

December 10, 2012

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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 § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Education Jobs Fund, CFDA 84.410; ➤ Special Education Cluster, CFDA 84.027, 84.391, 84.173, 84.392; ➤ Career and Technical Education – Basic Grants to States, CFDA 84.048; ➤ Improving Teacher Quality State Grants, CFDA 84.367.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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WADSWORTH CITY SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2012