



Dave Yost • Auditor of State

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

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MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wadsworth City School District, Medina County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wadsworth City School District, Medina County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$3,215,360 which represents a 27.79% increase from 2014's restated net position. Net position of business-type activities increased \$3,043 from 2014.
- Governmental activities general revenues accounted for \$46,480,043 in revenues or 85.62% of all governmental activities revenues. Governmental activities program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$7,806,219 or 14.38% of total governmental activities revenues of \$54,286,262.
- The District had \$51,070,902 in expenses related to governmental activities; only \$7,806,219 of these expenses were offset by program specific charges for services, operating and capital grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$46,480,043 were adequate to provide for these programs.
- The District had \$31,598 in expenses related to business-type activities; a total of \$34,641 was offset by program specific charges for services. Total revenues were adequate to provide for these programs by \$3,043 resulting in an increase in net position from a balance of \$7,144 to a balance of \$10,187.
- The District's major funds are the general fund, the debt service fund and the classroom facilities fund. The general fund had \$41,388,473 in revenues and other financing sources and \$39,652,786 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$1,735,687 from a balance of \$8,762,297 to a balance of \$10,497,984.
- The debt service fund had \$33,407,962 in revenues and other financing sources and \$34,177,712 in expenditures and other financing uses. During fiscal year 2015, the debt service fund's fund balance decreased \$769,750 from a balance of \$5,617,850 to a balance of \$4,848,100.
- The classroom facilities fund accounted for \$60 in the decrease of fair market value of investments and \$6,756 in expenditures. During fiscal year 2015, the classroom facilities fund's fund balance decreased \$6,816 from a balance of \$5,751,439 to a balance of \$5,744,623.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The statement of net position 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 and the classroom facilities fund are the only major funds.

Reporting the District as a Whole

Statement of Net Position 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 2015?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position and changes in that position. This change in net position 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 position and the statement of activities, the District is divided into two distinct kinds of activities:

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

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's recreation programs are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 19-21 of this report.

Reporting the District's Most Significant Fund

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. 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 and classroom facilities fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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 position 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 22-26 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 27-29 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 30. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 31-74 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 76 through 82 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|-----------|---------------|------------------|
| | 2015 | Restated 2014 | 2015 | 2014 | 2015 | Restated 2014 |
| Assets | | | | | | |
| Current assets | \$ 51,083,813 | \$ 48,468,926 | \$ 13,149 | \$ 10,497 | \$ 51,096,962 | \$ 48,479,423 |
| Capital assets, net | 147,563,121 | 151,643,560 | - | - | 147,563,121 | 151,643,560 |
| Total assets | 198,646,934 | 200,112,486 | 13,149 | 10,497 | 198,660,083 | 200,122,983 |
| Deferred outflows | | | | | | |
| Unamortized deferred charges on debt refunding | 575,199 | 379,968 | - | - | 575,199 | 379,968 |
| Pension | 3,967,744 | 3,133,074 | - | - | 3,967,744 | 3,133,074 |
| Total deferred outflows | 4,542,943 | 3,513,042 | - | - | 4,542,943 | 3,513,042 |
| Liabilities | | | | | | |
| Current liabilities | 5,661,899 | 5,777,588 | 2,962 | 3,353 | 5,664,861 | 5,780,941 |
| Long-term liabilities: | | | | | | |
| Due in one year | 5,035,310 | 4,697,622 | - | - | 5,035,310 | 4,697,622 |
| Due in more than one year: | | | | | | |
| Net pension liability | 53,123,681 | 63,130,181 | - | - | 53,123,681 | 63,130,181 |
| Other amounts | 93,990,782 | 98,483,748 | - | - | 93,990,782 | 98,483,748 |
| Total liabilities | 157,811,672 | 172,089,139 | 2,962 | 3,353 | 157,814,634 | 172,092,492 |
| Deferred inflows | | | | | | |
| Property taxes levied for the next fiscal year | 20,904,363 | 19,874,978 | - | - | 20,904,363 | 19,874,978 |
| PILOT levied for the next fiscal year | 71,813 | 91,812 | - | - | 71,813 | 91,812 |
| Pension | 9,617,070 | - | - | - | 9,617,070 | - |
| Total deferred inflows | 30,593,246 | 19,966,790 | - | - | 30,593,246 | 19,966,790 |
| Net Position | | | | | | |
| Net investment in capital assets | 58,901,464 | 58,488,092 | - | - | 58,901,464 | 58,488,092 |
| Restricted | 11,249,222 | 12,079,701 | - | - | 11,249,222 | 12,079,701 |
| Unrestricted (deficit) | (55,365,727) | (58,998,194) | 10,187 | 7,144 | (55,355,540) | (58,991,050) |
| Total net position | \$ 14,784,959 | \$ 11,569,599 | \$ 10,187 | \$ 7,144 | \$ 14,795,146 | \$ 11,576,743 |

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$71,566,706 to \$11,569,599.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$14,795,146. Of this amount, \$14,784,959 is reported in governmental activities and \$10,187 is reported in business-type activities.

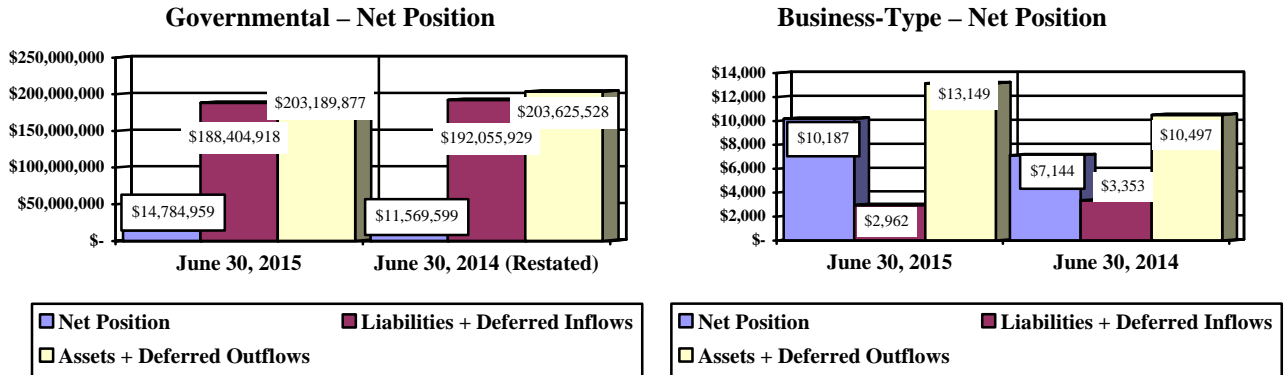
**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

At year end, capital assets represented 74.28% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. Net investment in capital assets at June 30, 2015, was \$58,901,464. 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 position, \$11,249,222, represents resources that are subject to external restriction on how they may be used.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.



The table below shows the changes in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|-------------------|--------------------------|---------------|-------------------|-------------------|
| | 2015 | Restated 2014 | 2015 | 2014 | 2015 | Restated 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services and sales | \$ 3,033,308 | \$ 3,012,008 | \$ 34,641 | \$ 32,680 | \$ 3,067,949 | \$ 3,044,688 |
| Operating grants and contributions | 4,264,677 | 4,004,594 | - | - | 4,264,677 | 4,004,594 |
| Capital grants and contributions | 508,234 | 998,110 | - | - | 508,234 | 998,110 |
| General revenues: | | | | | | |
| Property taxes | 23,486,334 | 24,290,476 | - | - | 23,486,334 | 24,290,476 |
| Payment in lieu of taxes | 94,108 | 91,812 | - | - | 94,108 | 91,812 |
| Grants and entitlements | 20,890,026 | 19,413,103 | - | - | 20,890,026 | 19,413,103 |
| Shared sales taxes | 1,681,316 | 1,515,935 | - | - | 1,681,316 | 1,515,935 |
| Investment earnings | 63,307 | 9,697 | - | - | 63,307 | 9,697 |
| Increase in FMV of investments | 6,883 | (1,430) | - | - | 6,883 | (1,430) |
| Miscellaneous | 258,069 | 335,083 | - | - | 258,069 | 335,083 |
| Total revenues | 54,286,262 | 53,669,388 | 34,641 | 32,680 | 54,320,903 | 53,702,068 |

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

| | Governmental Activities | | Business-type activities | | Total | |
|--|-------------------------|----------------------|--------------------------|-----------------|----------------------|----------------------|
| | 2015 | Restated | 2015 | 2014 | 2015 | Restated |
| | | 2014 | | | | 2014 |
| Expenses | | | | | | |
| Program expenses: | | | | | | |
| Instruction: | | | | | | |
| Regular | 20,199,928 | 20,663,956 | - | - | 20,199,928 | 20,663,956 |
| Special | 4,444,457 | 4,070,520 | - | - | 4,444,457 | 4,070,520 |
| Vocational | 1,668,801 | 1,767,089 | - | - | 1,668,801 | 1,767,089 |
| Adult/continuing | 2,501 | - | - | - | 2,501 | - |
| Other | 1,344,628 | 1,416,857 | - | - | 1,344,628 | 1,416,857 |
| Support services: | | | | | | |
| Pupil | 3,593,653 | 4,022,118 | - | - | 3,593,653 | 4,022,118 |
| Instructional staff | 305,088 | 252,153 | - | - | 305,088 | 252,153 |
| Board of education | 138,107 | 175,018 | - | - | 138,107 | 175,018 |
| Administration | 4,002,630 | 3,980,368 | - | - | 4,002,630 | 3,980,368 |
| Fiscal | 464,178 | 988,510 | - | - | 464,178 | 988,510 |
| Operations and maintenance | 4,535,467 | 4,671,512 | - | - | 4,535,467 | 4,671,512 |
| Pupil transportation | 1,783,683 | 1,987,491 | - | - | 1,783,683 | 1,987,491 |
| Central | 683,959 | 534,269 | - | - | 683,959 | 534,269 |
| Operation of non-instructional services | | | | | | |
| Other non-instructional services | 520,843 | 359,432 | - | - | 520,843 | 359,432 |
| Food service operations | 1,452,345 | 1,535,365 | - | - | 1,452,345 | 1,535,365 |
| Extracurricular activities | 1,377,994 | 1,326,048 | - | - | 1,377,994 | 1,326,048 |
| Interest and fiscal charges | 4,259,257 | 4,975,768 | - | - | 4,259,257 | 4,975,768 |
| Recreation | 293,383 | - | 31,598 | 42,591 | 324,981 | 42,591 |
| Total expenses | <u>51,070,902</u> | <u>52,726,474</u> | <u>31,598</u> | <u>42,591</u> | <u>51,102,500</u> | <u>52,769,065</u> |
| Changes in net position | <u>3,215,360</u> | <u>942,914</u> | <u>3,043</u> | <u>(9,911)</u> | <u>3,218,403</u> | <u>933,003</u> |
| Net position at beginning of year (restated) | <u>11,569,599</u> | <u>10,626,685</u> | <u>7,144</u> | <u>17,055</u> | <u>11,576,743</u> | <u>10,643,740</u> |
| Net position at end of year | <u>\$ 14,784,959</u> | <u>\$ 11,569,599</u> | <u>\$ 10,187</u> | <u>\$ 7,144</u> | <u>\$ 14,795,146</u> | <u>\$ 11,576,743</u> |

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,133,074 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,242,588.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

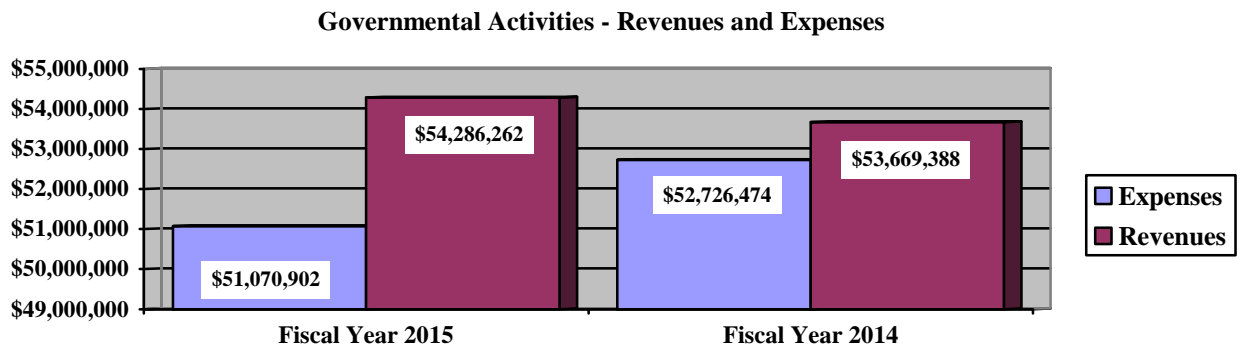
Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | |
|---|---------------------|
| Total 2015 program expenses under GASB 68 | \$ 51,070,902 |
| Pension expense under GASB 68 | (2,242,588) |
| 2015 contractually required contributions | <u>3,466,688</u> |
| Adjusted 2015 program expenses | 52,295,002 |
| Total 2014 program expenses under GASB 27 | <u>52,726,474</u> |
| Decrease in program expenses not related to pension | <u>\$ (431,472)</u> |

Net position of the District's governmental activities increased \$3,215,360. Total governmental expenses of \$51,070,902 were offset by program revenues of \$7,806,219 and general revenues of \$46,480,043. Program revenues supported 15.29% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, payment in lieu of taxes, grants and entitlements not restricted to specific programs, capital grants not restricted to specific purposes and shared sales taxes. These revenue sources represent 85.02% of total governmental revenue.

Total revenues increased \$616,874 during the current fiscal year. The majority of the increase is due to a \$1,476,923 increase in grants and entitlements and a \$260,083 increase in operating grants and contribution revenue. Grants and entitlements increased due to an increase in State foundation revenue. Revenues related to operating grants and contributions increased due to an increase in the revenues received related to the IDEA, Part B, Title I and Improving Teacher Quality grants.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.



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 for 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Activities

| | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> | Total Cost of Services <u>2014</u> | Net Cost of Services <u>2014</u> |
|--|--|--|--|--|
| Program expenses: | | | | |
| Instruction: | | | | |
| Regular | \$ 20,199,928 | \$ 19,438,562 | \$ 20,663,956 | \$ 19,979,846 |
| Special | 4,444,457 | 1,431,981 | 4,070,520 | 1,210,940 |
| Vocational | 1,668,801 | 1,223,823 | 1,767,089 | 1,315,053 |
| Adult/continuing | 2,501 | 2,501 | - | - |
| Other | 1,344,628 | 1,344,628 | 1,416,857 | 1,416,857 |
| Support services: | | | | |
| Pupil | 3,593,653 | 3,426,295 | 4,022,118 | 3,861,060 |
| Instructional staff | 305,088 | 305,026 | 252,153 | 228,889 |
| Board of Education | 138,107 | 138,107 | 175,018 | 175,018 |
| Administration | 4,002,630 | 3,590,357 | 3,980,368 | 3,624,151 |
| Fiscal | 464,178 | 464,178 | 988,510 | 988,510 |
| Operations and maintenance | 4,535,467 | 4,446,500 | 4,671,512 | 4,616,160 |
| Pupil transportation | 1,783,683 | 1,712,290 | 1,987,491 | 1,916,572 |
| Central | 683,959 | 663,145 | 534,269 | 503,913 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 520,843 | 69,723 | 359,432 | 99 |
| Food service operations | 1,452,345 | 87,788 | 1,535,365 | 78,427 |
| Extracurricular activities | 1,377,994 | 875,373 | 1,326,048 | 818,609 |
| Interest and fiscal charges | 4,259,257 | 3,751,023 | 4,975,768 | 3,977,658 |
| Bond issuance costs | 293,383 | 293,383 | - | - |
| Total expenses | <u>\$ 51,070,902</u> | <u>\$ 43,264,683</u> | <u>\$ 52,726,474</u> | <u>\$ 44,711,762</u> |

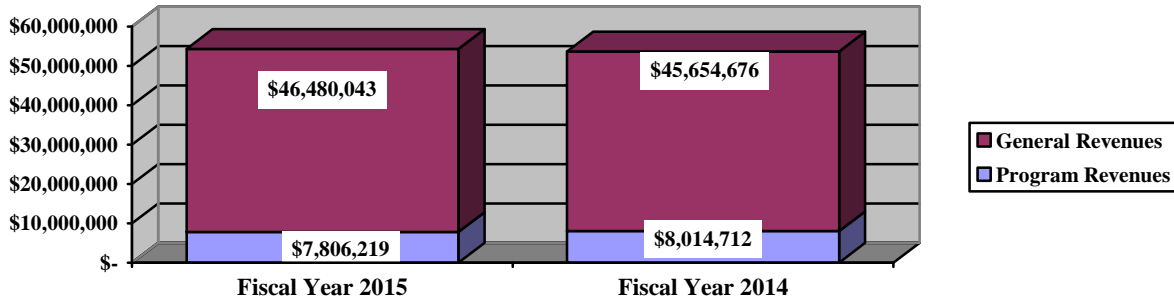
The dependence upon tax and other general revenues for governmental activities is apparent; 84.75% of instruction activities in fiscal year 2015 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.71%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include recreation. This program had revenues of \$34,641 and expenses of \$31,598 for fiscal year 2015. This resulted in an increase to net position for the fiscal year of \$3,043. This fund is intended to be self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently.

The District's Funds

The District's governmental funds reported a combined fund balance of \$23,081,972 which is higher than last year's balance of \$21,857,324. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

| | Fund Balance <u>June 30, 2015</u> | Fund Balance <u>June 30, 2014</u> | Increase <u>(Decrease)</u> |
|----------------------|--------------------------------------|--------------------------------------|-------------------------------|
| General | \$ 10,497,984 | \$ 8,762,297 | \$ 1,735,687 |
| Debt service | 4,848,100 | 5,617,850 | (769,750) |
| Classroom facilities | 5,744,623 | 5,751,439 | (6,816) |
| Other governmental | <u>1,991,265</u> | <u>1,725,738</u> | <u>265,527</u> |
| Total | <u>\$ 23,081,972</u> | <u>\$ 21,857,324</u> | <u>\$ 1,224,648</u> |

General Fund

The District's general fund balance increased \$1,735,687. During the year general fund tax revenues decreased \$1,123,895 due to a decrease in real estate revenues collected during the fiscal year and due to a decrease in the amount available by the County for an advance. Earnings on investments increased \$47,926 due to an increase in the amount of interest revenue received during the current fiscal year. Intergovernmental revenue increased due to an increase in State foundation monies received during the current fiscal year. Instruction and support services fluctuated slightly during the year mostly due to personnel costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2015</u> <u>Amount</u> | <u>2014</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Taxes | \$ 18,058,687 | \$ 19,182,582 | (5.86) % |
| Earnings on investments | 57,661 | 9,735 | 492.31 % |
| Intergovernmental | 21,342,324 | 19,715,535 | 8.25 % |
| Other revenues | <u>1,925,926</u> | <u>1,914,298</u> | 0.61 % |
| Total | <u>\$ 41,384,598</u> | <u>\$ 40,822,150</u> | 1.38 % |
| <u>Expenditures</u> | | | |
| Instruction | \$ 24,686,713 | \$ 23,878,934 | 3.38 % |
| Support services | 13,853,561 | 14,442,674 | (4.08) % |
| Extracurricular activities | 761,973 | 658,915 | 15.64 % |
| Facilities acquisition and construction | 183,689 | 49,633 | 270.09 % |
| Debt service | <u>161,850</u> | <u>179,306</u> | (9.74) % |
| Total | <u>\$ 39,647,786</u> | <u>\$ 39,209,462</u> | 1.12 % |

Debt Service Fund

The debt service fund had \$33,407,962 in revenues and other financing sources and \$34,177,712 in expenditures and other financing uses. During fiscal year 2015, the debt service fund's fund balance decreased \$769,750 from a balance of \$5,617,850 to a balance of \$4,848,100. The decrease is primarily due to the receipt of less tax revenue and intergovernmental state revenues as well as the increase in debt service payments.

Classroom Facilities Fund

The classroom facilities fund accounted for \$60 in the decrease of fair market value of investments and \$6,756 in expenditures. During fiscal year 2015, the classroom facilities fund's fund balance decreased \$6,816 from a balance of \$5,751,439 to a balance of \$5,744,623.

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 2015, the District amended its general fund budget twice. For the general fund, final budgeted revenues and other financing sources were \$44,692,791, which was higher than the original budgeted revenues estimate of \$44,306,177. Actual revenues and other financing sources for fiscal year 2015 were \$44,692,791. This is the same figure that was used for the final budgeted revenues.

General fund original appropriations and other financing uses of \$42,259,394 were increased to \$43,247,138 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$43,247,138. This is the same figure that was used for the final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$147,563,121 invested in land, 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 2015 balances compared to 2014:

| | Capital Assets at June 30 | |
|---------------------------|----------------------------------|------------------------------|
| | (Net of Depreciation) | |
| | <u>Governmental Activities</u> | |
| | <u>2015</u> | <u>2014</u> |
| Land | \$ 1,836,724 | \$ 1,868,652 |
| Construction in progress | - | 48,400 |
| Land improvements | 1,815,259 | 1,920,000 |
| Building and improvements | 139,581,889 | 143,395,894 |
| Furniture and equipment | 3,312,715 | 3,515,088 |
| Vehicles | 885,010 | 761,735 |
| Textbooks | <u>131,524</u> | <u>133,791</u> |
| Total | <u>\$ 147,563,121</u> | <u>\$ 151,643,560</u> |

The overall decrease in capital assets is due to depreciation expense of \$4,895,814 and disposals (net of accumulated depreciation) of \$165,806 exceeding capital outlays of \$981,181 in the current period.

See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2015, the District had \$83,153,790 in general obligation bonds, \$157,142 in lease purchase agreements and \$11,020,000 in capital lease – certificates of participation. Of this total, \$4,404,250 is due within one year and \$89,926,682 is due within greater than one year. The following table summarizes the liabilities outstanding.

| | Outstanding Debt, at Year End | |
|-------------------------------------|--------------------------------------|-----------------------------|
| | Governmental | Governmental |
| | Activities | Activities |
| | <u>2015</u> | <u>2014</u> |
| General obligation bonds | \$ 83,153,790 | \$ 86,257,387 |
| Lease purchase agreement obligation | 157,142 | 309,713 |
| Capital lease - COP | <u>11,020,000</u> | <u>11,900,000</u> |
| Total | <u>\$ 94,330,932</u> | <u>\$ 98,467,100</u> |

See Note 13 to the basic financial statements for detail on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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 44% of revenues for governmental activities for the District in fiscal year 2015.

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.

The District anticipates revenue growth for fiscal year 2016 and 2017 with the passing of HB65 the Biennial Budget. The District has seen revenue growth from state funding in previous Biennial Budget as well.

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 dbeeman@wadsworthschools.org.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION
JUNE 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 25,864,824 | \$ 13,149 | \$ 25,877,973 |
| Cash with fiscal agent | 41,465 | - | 41,465 |
| Receivables: | | | |
| Property taxes | 23,152,268 | - | 23,152,268 |
| Payment in lieu of taxes | 71,813 | - | 71,813 |
| Accounts | 32,364 | - | 32,364 |
| Accrued interest | 24,712 | - | 24,712 |
| Shared sales taxes | 968,405 | - | 968,405 |
| Intergovernmental | 645,875 | - | 645,875 |
| Materials and supplies inventory | 274,496 | - | 274,496 |
| Inventory held for resale | 7,591 | - | 7,591 |
| Capital assets: | | | |
| Land | 1,836,724 | - | 1,836,724 |
| Depreciable capital assets, net | 145,726,397 | - | 145,726,397 |
| Capital assets, net | 147,563,121 | - | 147,563,121 |
| Total assets | 198,646,934 | 13,149 | 198,660,083 |
| Deferred outflows of resources: | | | |
| Unamortized deferred charges on debt refunding | 575,199 | - | 575,199 |
| Pension - STRS | 3,160,990 | - | 3,160,990 |
| Pension - SERS | 806,754 | - | 806,754 |
| Total deferred outflows of resources | 4,542,943 | - | 4,542,943 |
| Liabilities: | | | |
| Accounts payable | 510,528 | 2,962 | 513,490 |
| Contracts payable | 84,557 | - | 84,557 |
| Retainage payable | 222,519 | - | 222,519 |
| Accrued wages and benefits | 3,528,812 | - | 3,528,812 |
| Pension obligation payable | 615,994 | - | 615,994 |
| Intergovernmental payable | 439,206 | - | 439,206 |
| Accrued interest payable | 260,283 | - | 260,283 |
| Due within one year | 5,035,310 | - | 5,035,310 |
| Due in more than one year: | | | |
| Net pension liability | 53,123,681 | - | 53,123,681 |
| Other amounts due in more than one year | 93,990,782 | - | 93,990,782 |
| Total liabilities | 157,811,672 | 2,962 | 157,814,634 |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year | 20,904,363 | - | 20,904,363 |
| Payment in lieu of taxes levied for the next fiscal year | 71,813 | - | 71,813 |
| Pension - STRS | 8,108,336 | - | 8,108,336 |
| Pension - SERS | 1,508,734 | - | 1,508,734 |
| Total deferred inflows of resources | 30,593,246 | - | 30,593,246 |
| Net position: | | | |
| Net investment in capital assets | 58,901,464 | - | 58,901,464 |
| Restricted for: | | | |
| Capital projects | 7,453,072 | - | 7,453,072 |
| Classroom facilities maintenance | 1,626,520 | - | 1,626,520 |
| Debt service | 1,240,023 | - | 1,240,023 |
| Locally funded programs | 26,760 | - | 26,760 |
| Federally funded programs | 80,866 | - | 80,866 |
| Student activities | 142,100 | - | 142,100 |
| Other purposes | 790,632 | - | 790,632 |
| Unrestricted (deficit) | (55,476,478) | 10,187 | (55,466,291) |
| Total net position | \$ 14,784,959 | \$ 10,187 | \$ 14,795,146 |

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, 2015

| | Expenses | Program Revenues | | |
|---|----------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 20,199,928 | \$ 587,688 | \$ 173,678 | \$ - |
| Special | 4,444,457 | 542,410 | 2,470,066 | - |
| Vocational | 1,668,801 | 126,983 | 317,995 | - |
| Adult/continuing. | 2,501 | - | - | - |
| Other | 1,344,628 | - | - | - |
| Support services: | | | | |
| Pupil. | 3,593,653 | - | 167,358 | - |
| Instructional staff | 305,088 | - | 62 | - |
| Board of education | 138,107 | - | - | - |
| Administration. | 4,002,630 | 272,221 | 140,052 | - |
| Fiscal. | 464,178 | - | - | - |
| Operations and maintenance | 4,535,467 | 76,805 | 12,162 | - |
| Pupil transportation. | 1,783,683 | 26,915 | 44,478 | - |
| Central | 683,959 | - | 20,814 | - |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 520,843 | 146,122 | 304,998 | - |
| Food service operations | 1,452,345 | 756,552 | 608,005 | - |
| Extracurricular activities. | 1,377,994 | 497,612 | 5,009 | - |
| Interest and fiscal charges | 4,259,257 | - | - | 508,234 |
| Bond issuance costs. | 293,383 | - | - | - |
| Total governmental activities | 51,070,902 | 3,033,308 | 4,264,677 | 508,234 |
| Business-type activities: | | | | |
| Recreation. | 31,598 | 34,641 | - | - |
| Total business-type activities | 31,598 | 34,641 | - | - |
| Totals | \$ 51,102,500 | \$ 3,067,949 | \$ 4,264,677 | \$ 508,234 |

General revenues:

| |
|---|
| Property taxes levied for: |
| General purposes |
| Debt service. |
| Payment in lieu of taxes |
| Grants and entitlements not restricted to specific programs: |
| General purposes |
| Capital grants. |
| Classroom facilities and maintenance. |
| Shared sales taxes. |
| Investment earnings |
| Increase in FMV of investments. |
| Miscellaneous |
| Total general revenues |
| Change in net position |
| Net position at beginning of year (restated) |
| Net position at end of year. |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|-----------------|
| \$ (19,438,562) | \$ - | \$ (19,438,562) |
| (1,431,981) | - | (1,431,981) |
| (1,223,823) | - | (1,223,823) |
| (2,501) | - | (2,501) |
| (1,344,628) | - | (1,344,628) |
| (3,426,295) | - | (3,426,295) |
| (305,026) | - | (305,026) |
| (138,107) | - | (138,107) |
| (3,590,357) | - | (3,590,357) |
| (464,178) | - | (464,178) |
| (4,446,500) | - | (4,446,500) |
| (1,712,290) | - | (1,712,290) |
| (663,145) | - | (663,145) |
| (69,723) | - | (69,723) |
| (87,788) | - | (87,788) |
| (875,373) | - | (875,373) |
| (3,751,023) | - | (3,751,023) |
| (293,383) | - | (293,383) |
| (43,264,683) | - | (43,264,683) |
| - | 3,043 | 3,043 |
| - | 3,043 | 3,043 |
| (43,264,683) | 3,043 | (43,261,640) |
| 18,031,501 | - | 18,031,501 |
| 5,454,833 | - | 5,454,833 |
| 94,108 | - | 94,108 |
| 20,492,426 | - | 20,492,426 |
| 41,095 | - | 41,095 |
| 356,505 | - | 356,505 |
| 1,681,316 | - | 1,681,316 |
| 63,307 | - | 63,307 |
| 6,883 | - | 6,883 |
| 258,069 | - | 258,069 |
| 46,480,043 | - | 46,480,043 |
| 3,215,360 | 3,043 | 3,218,403 |
| 11,569,599 | 7,144 | 11,576,743 |
| \$ 14,784,959 | \$ 10,187 | \$ 14,795,146 |

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General | Debt Service | Classroom Facilities | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------|-------------------------|-----------------------------------|--------------------------------|
| Assets: | | | | | |
| Equity in pooled cash and investments | \$ 11,550,107 | \$ 4,120,323 | \$ 6,008,641 | \$ 4,185,753 | \$ 25,864,824 |
| Cash with fiscal agent | 41,465 | - | - | - | 41,465 |
| Receivables: | | | | | |
| Property taxes | 17,478,718 | 5,673,550 | - | - | 23,152,268 |
| Payment in lieu of taxes | 71,813 | - | - | - | 71,813 |
| Accounts | 31,502 | - | - | 862 | 32,364 |
| Accrued interest | 24,712 | - | - | - | 24,712 |
| Shared sales taxes | - | - | - | 968,405 | 968,405 |
| Interfund loans | 2,306,454 | - | - | - | 2,306,454 |
| Intergovernmental | 164,160 | 252,537 | - | 229,178 | 645,875 |
| Materials and supplies inventory | 274,496 | - | - | - | 274,496 |
| Inventory held for resale | - | - | - | 7,591 | 7,591 |
| Total assets | <u>\$ 31,943,427</u> | <u>\$ 10,046,410</u> | <u>\$ 6,008,641</u> | <u>\$ 5,391,789</u> | <u>\$ 53,390,267</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 460,713 | - | - | \$ 49,815 | \$ 510,528 |
| Contracts payable | - | - | 61,213 | 23,344 | 84,557 |
| Retainage payable | - | - | 202,805 | 19,714 | 222,519 |
| Accrued wages and benefits | 3,324,688 | - | - | 204,124 | 3,528,812 |
| Compensated absences payable | 497,946 | - | - | - | 497,946 |
| Interfund loans payable | - | - | - | 2,306,454 | 2,306,454 |
| Intergovernmental payable | 427,521 | - | - | 11,685 | 439,206 |
| Pension obligation payable | 569,227 | - | - | 46,767 | 615,994 |
| Total liabilities | <u>5,280,095</u> | <u>-</u> | <u>264,018</u> | <u>2,661,903</u> | <u>8,206,016</u> |
| Deferred inflows of resources: | | | | | |
| Property taxes levied for the next fiscal year | 15,772,259 | 5,132,104 | - | - | 20,904,363 |
| Delinquent property tax revenue not available | 209,329 | 66,206 | - | - | 275,535 |
| Accrued interest not available | 6,632 | - | - | - | 6,632 |
| Intergovernmental revenue not available | 105,315 | - | - | 228,532 | 333,847 |
| Payment in lieu of taxes levied for the next fiscal year | 71,813 | - | - | - | 71,813 |
| Shared sales taxes | - | - | - | 510,089 | 510,089 |
| Total deferred inflows of resources | <u>16,165,348</u> | <u>5,198,310</u> | <u>-</u> | <u>738,621</u> | <u>22,102,279</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Materials and supplies inventory | 274,496 | - | - | - | 274,496 |
| Restricted: | | | | | |
| Debt service | - | 4,848,100 | - | - | 4,848,100 |
| Capital improvements | - | - | 5,744,623 | 1,207,236 | 6,951,859 |
| Classroom facilities maintenance | - | - | - | 1,626,520 | 1,626,520 |
| Food service operations | - | - | - | 668,898 | 668,898 |
| Non-public schools | - | - | - | 9,081 | 9,081 |
| Special education | - | - | - | 104,538 | 104,538 |
| Other purposes | - | - | - | 139,372 | 139,372 |
| Extracurricular activities | - | - | - | 142,100 | 142,100 |
| Committed: | | | | | |
| Student and staff support | 18,315 | - | - | - | 18,315 |
| Student instruction | 205,846 | - | - | - | 205,846 |
| Assigned: | | | | | |
| Student instruction | 213,636 | - | - | - | 213,636 |
| Student and staff support | 404,576 | - | - | - | 404,576 |
| Public school support | 73,201 | - | - | - | 73,201 |
| Subsequent year's appropriations | 108,163 | - | - | - | 108,163 |
| Adult education | 32,589 | - | - | - | 32,589 |
| Other purposes | 146,232 | - | - | - | 146,232 |
| Unassigned (deficit) | 9,020,930 | - | - | (1,906,480) | 7,114,450 |
| Total fund balances | <u>10,497,984</u> | <u>4,848,100</u> | <u>5,744,623</u> | <u>1,991,265</u> | <u>23,081,972</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 31,943,427</u> | <u>\$ 10,046,410</u> | <u>\$ 6,008,641</u> | <u>\$ 5,391,789</u> | <u>\$ 53,390,267</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

| | | | |
|---|----|--------------|--------------|
| Total governmental fund balances | | \$ | 23,081,972 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 147,563,121 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 275,535 | |
| Sales taxes receivable | | 510,089 | |
| Accrued interest receivable | | 6,632 | |
| Intergovernmental receivable | | 333,847 | |
| Total | | 1,126,103 | 1,126,103 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (3,008,082) |
| Unamortized amounts on refundings are not recognized in the funds. | | | 575,199 |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds: | | | |
| Deferred outflows of resources - pension | | 3,967,744 | |
| Deferred inflows of resources - pension | | (9,617,070) | |
| Net pension liability | | (53,123,681) | |
| Total | | (58,773,007) | (58,773,007) |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (260,283) |
| 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 | | (80,145,708) | |
| Capital lease obligation - COP | | (11,020,000) | |
| Lease purchase agreement | | (157,142) | |
| Compensated absences | | (4,197,214) | |
| Total | | (95,520,064) | (95,520,064) |
| Net position of governmental activities | | \$ | 14,784,959 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2015

| | <u>General</u> | <u>Debt Service</u> | <u>Classroom Facilities</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-------------------------|---------------------------------|--|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Property taxes | \$ 18,058,687 | \$ 5,464,737 | \$ - | \$ - | \$ 23,523,424 |
| Payment in lieu of taxes | 94,108 | - | - | - | 94,108 |
| Tuition | 935,070 | - | - | 216,410 | 1,151,480 |
| Transportation fees | 26,915 | - | - | - | 26,915 |
| Earnings on investments | 57,661 | - | - | 5,282 | 62,943 |
| Charges for services | - | - | - | 756,492 | 756,492 |
| Extracurricular | 356,299 | - | - | 361,660 | 717,959 |
| Classroom materials and fees | 232,444 | - | - | - | 232,444 |
| Rental income | 76,805 | - | - | - | 76,805 |
| Contributions and donations | 93,507 | - | - | 39,366 | 132,873 |
| Contract services | 71,213 | - | - | 41,095 | 112,308 |
| Other local revenues | 32,622 | 132,510 | - | 12,625 | 177,757 |
| Intergovernmental - intermediate | - | - | - | 418,063 | 418,063 |
| Intergovernmental - state | 21,250,618 | 811,057 | - | 243,724 | 22,305,399 |
| Intergovernmental - federal | 91,706 | 508,234 | - | 2,125,990 | 2,725,930 |
| Shared sales taxes | - | - | - | 1,645,815 | 1,645,815 |
| Increase (decrease) in FMV of investments | 6,943 | - | (60) | - | 6,883 |
| Total revenues | 41,384,598 | 6,916,538 | (60) | 5,866,522 | 54,167,598 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 18,646,015 | - | - | 248,709 | 18,894,724 |
| Special | 3,189,486 | - | - | 962,487 | 4,151,973 |
| Vocational | 1,513,006 | - | - | 94,440 | 1,607,446 |
| Adult/continuing | 2,501 | - | - | - | 2,501 |
| Other | 1,335,705 | - | - | - | 1,335,705 |
| Support services: | | | | | |
| Pupil | 3,197,773 | - | - | 164,245 | 3,362,018 |
| Instructional staff | 292,535 | - | - | 37 | 292,572 |
| Board of education | 136,375 | - | - | - | 136,375 |
| Administration | 3,613,080 | - | - | 136,142 | 3,749,222 |
| Fiscal | 424,028 | - | - | - | 424,028 |
| Operations and maintenance | 3,980,632 | - | - | 229,630 | 4,210,262 |
| Pupil transportation | 1,656,260 | - | - | 698 | 1,656,958 |
| Central | 552,878 | - | - | 20,646 | 573,524 |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | - | - | - | 490,511 | 490,511 |
| Food service operations | - | - | - | 1,313,864 | 1,313,864 |
| Extracurricular activities | 761,973 | - | - | 360,814 | 1,122,787 |
| Facilities acquisition and construction | 183,689 | - | 6,756 | 463,087 | 653,532 |
| Debt service: | | | | | |
| Principal retirement | 152,571 | 4,055,000 | - | 880,000 | 5,087,571 |
| Interest and fiscal charges | 9,279 | 3,631,288 | - | 240,685 | 3,881,252 |
| Bond issuance costs | - | 293,383 | - | - | 293,383 |
| Total expenditures | 39,647,786 | 7,979,671 | 6,756 | 5,605,995 | 53,240,208 |
| Excess (deficiency) of revenues over (under) expenditures | 1,736,812 | (1,063,133) | (6,816) | 260,527 | 927,390 |
| Other financing sources (uses): | | | | | |
| Premium on refunding bonds | - | 561,424 | - | - | 561,424 |
| Sale of refunding bonds | - | 25,930,000 | - | - | 25,930,000 |
| Sale/loss of assets | 3,875 | - | - | - | 3,875 |
| Transfers in | - | - | - | 5,000 | 5,000 |
| Transfers (out) | (5,000) | - | - | - | (5,000) |
| Payment to refunding bond escrow agent | - | (26,198,041) | - | - | (26,198,041) |
| Total other financing sources (uses) | (1,125) | 293,383 | - | 5,000 | 297,258 |
| Net change in fund balances | 1,735,687 | (769,750) | (6,816) | 265,527 | 1,224,648 |
| Fund balances at beginning of year | 8,762,297 | 5,617,850 | 5,751,439 | 1,725,738 | 21,857,324 |
| Fund balances at end of year | \$ 10,497,984 | \$ 4,848,100 | \$ 5,744,623 | \$ 1,991,265 | \$ 23,081,972 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2015

| | | |
|---|--------------------|-------------------------|
| Net change in fund balances - total governmental funds | \$ | 1,224,648 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 981,181 | |
| Current year depreciation | <u>(4,895,814)</u> | |
| Total | | (3,914,633) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (165,806) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | (37,090) | |
| Sales taxes | 35,501 | |
| Accrued interest | 5,646 | |
| Extracurricular | <u>117,211</u> | |
| Total | | 121,268 |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were: | | |
| Bonds | 3,313,418 | |
| Accreted interest | 741,582 | |
| Lease purchase agreement | 152,571 | |
| Capital lease - COP | <u>880,000</u> | |
| Total | | 5,087,571 |
| The issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. | | |
| | | (25,930,000) |
| Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. | | |
| | | 26,198,041 |
| Premiums on bonds are amortized over the life of the issuance in the statement of activities. | | |
| | | (561,424) |
| 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: | | |
| Increase in accrued interest payable | 84,784 | |
| Accreted interest on capital appreciation bonds | (748,855) | |
| Amortization of bond premiums | 338,876 | |
| Amortization of refunding loss | <u>(52,810)</u> | |
| Total | | (378,005) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | | 3,466,688 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (2,242,588) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | <u>309,600</u> |
| Change in net position of governmental activities | \$ | <u>3,215,360</u> |

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, 2015

| | <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 | \$ 18,568,068 | \$ 18,602,371 | \$ 18,602,371 | \$ - |
| Payment in lieu of taxes. | 94,108 | 94,108 | 94,108 | - |
| Tuition. | 1,005,807 | 917,286 | 917,286 | - |
| Transportation fees. | 10,000 | 24,663 | 24,663 | - |
| Earnings on investments | 25,000 | 39,800 | 39,800 | - |
| Extracurricular. | 136,252 | 136,012 | 136,012 | - |
| Classroom materials and fees | 181,853 | 183,878 | 183,878 | - |
| Rental income | 54,390 | 73,698 | 73,698 | - |
| Contributions and donations | 45,000 | 85,462 | 85,462 | - |
| Contract services. | 39,639 | 52,164 | 52,164 | - |
| Other local revenues | 32,143 | 32,667 | 32,667 | - |
| Intergovernmental - state | 21,260,024 | 21,501,576 | 21,501,576 | - |
| Intergovernmental - federal | 107,964 | 91,706 | 91,706 | - |
| Total revenues | <u>41,560,248</u> | <u>41,835,391</u> | <u>41,835,391</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 18,634,387 | 19,095,169 | 19,095,169 | - |
| Special. | 3,027,199 | 3,102,054 | 3,102,054 | - |
| Vocational. | 1,455,782 | 1,491,780 | 1,491,780 | - |
| Other. | 1,276,077 | 1,307,631 | 1,307,631 | - |
| Support services: | | | | |
| Pupil. | 3,125,315 | 3,202,596 | 3,202,596 | - |
| Instructional staff | 306,508 | 314,087 | 314,087 | - |
| Board of education | 166,949 | 171,077 | 171,077 | - |
| Administration. | 3,303,945 | 3,385,643 | 3,385,643 | - |
| Fiscal | 807,213 | 827,173 | 827,173 | - |
| Operations and maintenance. | 4,213,194 | 4,317,375 | 4,317,375 | - |
| Pupil transportation | 1,922,966 | 1,970,516 | 1,970,516 | - |
| Central. | 738,062 | 756,312 | 756,312 | - |
| Extracurricular activities. | 741,185 | 759,513 | 759,513 | - |
| Facilities acquisition and construction | 226,489 | 232,089 | 232,089 | - |
| Total expenditures | <u>39,945,271</u> | <u>40,933,015</u> | <u>40,933,015</u> | <u>-</u> |
| Excess of revenues over expenditures. | <u>1,614,977</u> | <u>902,376</u> | <u>902,376</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 535,464 | 653,060 | 653,060 | - |
| Transfers (out). | (5,000) | (5,000) | (5,000) | - |
| Advances in. | 2,200,465 | 2,200,465 | 2,200,465 | - |
| Advances (out) | (2,309,123) | (2,309,123) | (2,309,123) | - |
| Sale of capital assets | 10,000 | 3,875 | 3,875 | - |
| Total other financing sources (uses) | <u>431,806</u> | <u>543,277</u> | <u>543,277</u> | <u>-</u> |
| Net change in fund balance | 2,046,783 | 1,445,653 | 1,445,653 | - |
| Fund balance at beginning of year | 7,374,960 | 7,374,960 | 7,374,960 | - |
| Prior year encumbrances appropriated | 1,055,241 | 1,055,241 | 1,055,241 | - |
| Fund balance at end of year | <u>\$ 10,476,984</u> | <u>\$ 9,875,854</u> | <u>\$ 9,875,854</u> | <u>\$ -</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

| | <u>Total Business-Type Activities - Enterprise Fund</u> |
|---|--|
| Assets: | |
| Current assets: | |
| Equity in pooled cash and cash equivalents | \$ 13,149 |
| Total assets. | <u>13,149</u> |
| Liabilities: | |
| Accounts payable. | <u>2,962</u> |
| Total liabilities | <u>2,962</u> |
| Net position: | |
| Unrestricted. | <u>10,187</u> |
| Total net position. | <u>\$ 10,187</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>Total Business-Type Activities - Enterprise Fund</u> |
|---|--|
| Operating revenues: | |
| Charges for service | \$ 34,641 |
| Total operating revenues | <u>34,641</u> |
| Operating expenses: | |
| Purchased services. | 31,009 |
| Materials and supplies | <u>589</u> |
| Total operating expenses. | <u>31,598</u> |
| Operating income | <u>3,043</u> |
| Net position at beginning of year. | <u>7,144</u> |
| Net position at end of year | <u><u>\$ 10,187</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | | Total Business-Type Activities - Enterprise Fund |
|---|----|---|
| Cash flows from operating activities: | | |
| Cash received from charges for services | \$ | 34,641 |
| Cash payments for contractual services | | (31,400) |
| Cash payments for materials and supplies | | (589) |
| | | 2,652 |
| Net cash provided by operating activities. | | 2,652 |
| Net increase in cash and cash investments | | 2,652 |
| Cash and cash equivalents at beginning of year . . . | | 10,497 |
| Cash and cash equivalents at end of year | \$ | 13,149 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ | 3,043 |
| Changes in assets and liabilities: | | |
| Decrease in accounts payable | | (391) |
| | | 2,652 |
| Net cash provided by operating activities. | \$ | 2,652 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | Agency |
|--|---------------|
| Assets: | |
| Equity in pooled cash and investments. | \$ 161,943 |
| Receivables: | |
| Accounts | 142,104 |
| Total assets. | \$ 304,047 |
| Liabilities: | |
| Accounts payable. | \$ 7,889 |
| Accrued wages and benefits | 349 |
| Pension obligation payable. | 2,936 |
| Intergovernmental payable | 499 |
| Undistributed monies. | 292,374 |
| Total liabilities | \$ 304,047 |

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, 2015**

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 270 non-certified employees and 238 certified full-time teaching personnel who provide services to 4,778 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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 two public entity risk pools which are described in Note 16, Note 17 and Note 18, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 position 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 position 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 statements distinguish between those activities of the District that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type 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 and for the business-type activity of the District. 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 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

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.

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 and deferred outflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources 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, 2015

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.

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.

Proprietary fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following are the District's proprietary funds:

Enterprise fund - An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise fund is:

Recreation fund - This fund accounts for fees for the upkeep of the recreational center and educational opportunities offered to District residents.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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 deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise fund are program fees. Operating expenses for the enterprise fund include the cost of sales, personnel and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 and the statements presented for the proprietary and fiduciary funds are prepared using 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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, payments in lieu of 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, payments in lieu of taxes, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 2015 the District had investments in federal agency securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities 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, 2015.

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 2015 amounted to \$57,661, which includes \$32,236 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, 2015

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 position, 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:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 5 - 50 years |
| Buildings and improvements | 10 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 10 - 15 years |
| Textbooks | 10 - 20 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, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The entire compensated absence liability is reported on the government-wide financial statements and in the proprietary fund.

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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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.

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

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, 2015

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds are eliminated for reporting of governmental activities on the government-wide financial statements.

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 Bond Premium and Discount/Accounting Gain or Loss

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, 2015**

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as 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 a deferred outflow of resources. On the governmental fund financial statements bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 13.

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 neither transaction.

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 2015.

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, 2015

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 position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented on pages 76-82.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

| | Governmental Activities |
|--|----------------------------|
| Net position as previously reported | \$ 71,566,706 |
| Deferred outflows - payments subsequent to measurement date | 3,133,074 |
| Net pension liability | (63,130,181) |
| Restated net position at July 1, 2014 | \$ 11,569,599 |

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|----------------------------------|----------------|
| IDEA Part - B | \$ 52,679 |
| Vocational education | 16,561 |
| Title I - disadvantaged children | 8,432 |
| IDEA preschool for handicapped | 103 |
| Improving teacher quality | 17,615 |
| Miscellaneous federal grants | 4 |
| Building | 1,811,086 |

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance 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, 2015**

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 with Fiscal Agent

At June 30, 2015, the District had \$41,465 in cash held by Medina County Schools' Educational Service Center, which is included on the balance sheet as "Cash with Fiscal Agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants.

B. Cash on Hand

At fiscal year end, the District had \$5,930 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$12,186,698. Based on the criteria described in GASB Statement No. 40, “**Deposits and Investment Risk Disclosures**”, as of June 30, 2015, \$12,128,034 of the District’s bank balance of \$12,659,546 was exposed to custodial risk as discussed below, while \$531,512 was covered by the FDIC.

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.

D. Investments

As of June 30, 2015, the District had the following investments and maturities:

| <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> | <u>19 to 24 months</u> | <u>24 to 60 months</u> |
| Negotiable CD's | \$ 5,503,138 | \$ 1,250,252 | \$ 750,758 | \$ 1,001,323 | \$ - | \$ 2,500,805 |
| FHLB | 1,747,400 | - | - | - | - | 1,747,400 |
| FNMA | 750,705 | - | - | - | - | 750,705 |
| U.S. Treasury money market | 821,081 | 821,081 | - | - | - | - |
| STAR Ohio | 5,024,964 | 5,024,964 | - | - | - | - |
| Total | \$ 13,847,288 | \$ 7,096,297 | \$ 750,758 | \$ 1,001,323 | \$ - | \$ 4,998,910 |

The weighted average maturity of investments is 1.12 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: STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating 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 federal agency securities have been assigned a rating of AA+ by Standard & Poor’s and a rating of Aaa by Moody’s. The District’s investment policy does not specifically address credit risk beyond the adherence to Chapter 135 of the Ohio Revised Code.

**WADSWORTH CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 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, 2015:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|----------------------------|--------------------------|-------------------|
| Negotiable CD's | \$ 5,503,138 | 39.74 |
| FHLB | 1,747,400 | 12.62 |
| FNMA | 750,705 | 5.42 |
| U.S. Treasury money market | 821,081 | 5.93 |
| STAR Ohio | <u>5,024,964</u> | <u>36.29</u> |
| Total | <u>\$ 13,847,288</u> | <u>100.00</u> |

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

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 position as of June 30, 2015:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 12,186,698 |
| Investments | 13,847,288 |
| Cash on hand | 5,930 |
| Cash with fiscal agent | <u>41,465</u> |
| Total | <u>\$ 26,081,381</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 25,906,289 |
| Agency funds | 161,943 |
| Business-type activities | <u>13,149</u> |
| Total | <u>\$ 26,081,381</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$1,497,130 in the general fund and \$475,240 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$1,638,350 in the general fund and \$516,620 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 and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|---|---------------------------------|----------------------|--------------------------------|----------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 581,165,560 | 97.10 | \$ 587,676,580 | 96.01 |
| Public utility personal | <u>17,355,240</u> | <u>2.90</u> | <u>24,422,860</u> | <u>3.99</u> |
| Total | <u>\$ 598,520,800</u> | <u>100.00</u> | <u>\$ 612,099,440</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 78.50 | | \$ 79.00 | |

NOTE 6 - SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The County then allocates this tax to the school districts within the County based on the student enrollment number. During fiscal year 2015, the District recorded shared sales tax revenue of \$1,645,815 in the capital grants fund (a nonmajor governmental fund).

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, shared sales taxes 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 position follows:

| | |
|---------------------------------|--------------------------|
| Governmental activities: | |
| Taxes | \$ 23,152,268 |
| Payment in lieu of taxes | 71,813 |
| Accounts | 32,364 |
| Accrued interest | 24,712 |
| Shared sales taxes | 968,405 |
| Intergovernmental | <u>645,875</u> |
| Total | <u>\$ 24,895,437</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, 2015

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| Governmental activities: | <u>Balance</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2015</u> |
|---|---------------------------------------|-----------------------|---------------------|--|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 1,868,652 | \$ - | \$ (31,928) | \$ 1,836,724 |
| Construction in progress | <u>48,400</u> | <u>67,760</u> | <u>(116,160)</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>1,917,052</u> | <u>67,760</u> | <u>(148,088)</u> | <u>1,836,724</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 2,643,760 | 45,760 | - | 2,689,520 |
| Buildings and improvements | 160,963,808 | 354,752 | - | 161,318,560 |
| Furniture and equipment | 6,373,127 | 241,395 | (148,891) | 6,465,631 |
| Vehicles | 2,927,870 | 387,674 | - | 3,315,544 |
| Infrastructure | 131,333 | - | - | 131,333 |
| Textbooks | <u>1,705,098</u> | <u>-</u> | <u>-</u> | <u>1,705,098</u> |
| Total capital assets, being depreciated | <u>174,744,996</u> | <u>1,029,581</u> | <u>(148,891)</u> | <u>175,625,686</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (723,760) | (150,501) | - | (874,261) |
| Buildings and improvements | (17,567,914) | (4,168,757) | - | (21,736,671) |
| Furniture and equipment | (2,858,039) | (309,890) | 15,013 | (3,152,916) |
| Vehicles | (2,166,135) | (264,399) | - | (2,430,534) |
| Infrastructure | (131,333) | - | - | (131,333) |
| Textbooks | <u>(1,571,307)</u> | <u>(2,267)</u> | <u>-</u> | <u>(1,573,574)</u> |
| Total accumulated depreciation | <u>(25,018,488)</u> | <u>(4,895,814)</u> | <u>15,013</u> | <u>(29,899,289)</u> |
| Governmental activities capital assets, net | <u>\$ 151,643,560</u> | <u>\$ (3,798,473)</u> | <u>\$ (281,966)</u> | <u>\$ 147,563,121</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 2,389,872 |
| Special | 433,494 |
| Vocational | 136,132 |
| Other | 4,418 |
| <u>Support services:</u> | |
| Pupil | 403,997 |
| Instructional staff | 17,044 |
| Board of Education | 2,153 |
| Administration | 429,766 |
| Fiscal | 50,180 |
| Operations and maintenance | 322,119 |
| Pupil transportation | 137,954 |
| Central | 109,850 |
| <u>Operation of non-instructional services:</u> | |
| Other non-instructional services | 28,102 |
| Food service operations | 150,429 |
| Extracurricular activities | 280,304 |
| | <hr/> |
| Total depreciation expense | <u>\$ 4,895,814</u> |

NOTE 9 - RISK MANAGEMENT

A. Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$10,000 per incident and a policy limit of \$229,864,479. The District's vehicle liability insurance policy limit is \$1,000,000 with a \$2,000 collision deductible. All administrators and employees are covered under a District liability policy and an umbrella policy. The combined limits of these coverages are \$11,000,000 per occurrence and \$12,000,000 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, 2015**

NOTE 9 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2015, the District participated in the Ohio Bureau of Workers' Compensation (OBWC) state fund. The workers' compensation rate for the District is based on claims incurred in the oldest four of the last five years prior to the calendar year. The District pays its workers' compensation premium to the State based on the OBWC rate for the District multiplied by the payroll for the calendar year. The firm of Benefits 1 Group, Inc. provides administrative, cost control and actuarial services to the District.

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 and life (See Note 18 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 10 - 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 304 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, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at 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, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$727,637 for fiscal year 2015. Of this amount \$71,700 is reported as pension obligation payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,739,051 for fiscal year 2015. Of this amount, \$406,448 is reported as pension obligation payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------|---------------|---------------|
| Proportionate share of the net pension liability | \$ 9,295,738 | \$ 43,827,943 | \$ 53,123,681 |
| Proportion of the net pension liability | 0.18367600% | 0.18018794% | |
| Pension expense | \$ 542,477 | \$ 1,700,111 | \$ 2,242,588 |

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 79,117 | \$ 421,939 | \$ 501,056 |
| District contributions subsequent to the measurement date | <u>727,637</u> | <u>2,739,051</u> | <u>3,466,688</u> |
| Total deferred outflows of resources | <u>\$ 806,754</u> | <u>\$ 3,160,990</u> | <u>\$ 3,967,744</u> |
| Deferred inflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>1,508,734</u> | <u>8,108,336</u> | <u>9,617,070</u> |
| Total deferred inflows of resources | <u>\$ 1,508,734</u> | <u>\$ 8,108,336</u> | <u>\$ 9,617,070</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$3,466,688 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ended June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|----------------------------|-----------------------|-----------------------|-----------------------|
| 2016 | \$ (357,405) | \$ (1,921,599) | \$ (2,279,004) |
| 2017 | (357,405) | (1,921,599) | (2,279,004) |
| 2018 | (357,405) | (1,921,599) | (2,279,004) |
| 2019 | <u>(357,402)</u> | <u>(1,921,600)</u> | <u>(2,279,002)</u> |
| Total | <u>\$ (1,429,617)</u> | <u>\$ (7,686,397)</u> | <u>\$ (9,116,014)</u> |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 13,262,255 | \$ 9,295,738 | \$ 5,959,554 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | <u>1.00</u> | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 62,744,479 | \$ 43,827,943 | \$ 27,830,919 |

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$96,957.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$138,672, \$99,540, and \$84,632, respectively. For fiscal year 2015, 90.72 percent has been contributed, with the balance being reported as pension obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$189,076, and \$191,432 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS

During fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligations at July 1, 2014 have been restated as described in Note 3.A.

| | Restated Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Due in One Year |
|--|-------------------------------------|-----------|--------------|--------------------------|--------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| Series BQ Bonds - 2009 | | | | | |
| Serial Bonds - 2.00-5.00%, 6/09 - 12/37 | \$ 8,715,000 | \$ - | \$ (265,000) | \$ 8,450,000 | \$ 275,000 |
| Capital Appreciation bonds - 25.929%, 12/16 - 12/18 | 109,995 | - | - | 109,995 | - |
| Accretion on Capital Appreciation bonds | 254,972 | 100,765 | - | 355,737 | - |
| Premium | 311,229 | - | (12,968) | 298,261 | - |
| School Improvement Refunding Bonds - 2007 | | | | | |
| Serial Bonds - 4%, 6/06 - 12/22 | 6,415,000 | - | (810,000) | 5,605,000 | - |
| Capital Appreciation bonds - 10.439%, 12/15 - 12/16 | 659,993 | - | - | 659,993 | 345,799 |
| Accretion on Capital Appreciation bonds | 725,984 | 147,599 | - | 873,583 | 457,520 |
| Premium | 301,636 | - | (33,515) | 268,121 | - |
| School Improvement Refunding Bonds - 2006 | | | | | |
| Serial Bonds - 4-4.2%, 6/06 - 12/22 | 7,770,000 | - | - | 7,770,000 | - |
| Capital Appreciation bonds - 12.1 - 12.2%, 12/14 - 12/15 | 614,990 | - | (322,822) | 292,168 | 292,168 |
| Accretion on Capital Appreciation bonds | 969,027 | 144,772 | (562,178) | 551,621 | 551,621 |
| Premium | 285,978 | - | (31,775) | 254,203 | - |
| School Improvement Refunding Bonds - 1999 | | | | | |
| Serial Bonds - 3.30-5.00%, 4/99 - 12/22 | 595,000 | - | (595,000) | - | - |
| Library Improvement Bonds - 2001 (see Note 16) | | | | | |
| Term Bonds - 5.05-5.10%, 12/12 - 12/22 | 2,750,000 | - | - | 2,750,000 | 290,000 |
| Capital Appreciation bonds - 7.296%, 12/12 - 12/14 | 110,596 | - | (110,596) | - | - |
| Accretion on Capital Appreciation bonds | 169,233 | 10,171 | (179,404) | - | - |
| Energy Conservation Imp. Bonds - 2001 | | | | | |
| 5.25%, 12/01 - 12/14 | 100,000 | - | (100,000) | - | - |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

| | Restated Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Due in One Year |
|--|-------------------------------------|----------------------|------------------------|--------------------------|---------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| Taxable Build America Bonds - 2009 | | | | | |
| Serial Bonds - 1.75-5.01%, 9/09 - 12/19 | \$ 3,495,000 | \$ - | \$ (525,000) | \$ 2,970,000 | \$ 545,000 |
| Term Bonds - 5.41-7.00%, 12/21 - 12/37 | 21,540,000 | - | - | 21,540,000 | - |
| Premium | 481,767 | - | (20,501) | 461,266 | - |
| School Improvement Bonds - 2010A | | | | | |
| Serial Bonds - 2%, 12/11 - 12/15 | 1,085,000 | - | (500,000) | 585,000 | 585,000 |
| Capital Appreciation bonds - 22.072%, 12/16 - 12/20 | 679,951 | - | - | 679,951 | - |
| Accretion on Capital Appreciation bonds | 762,112 | 345,548 | - | 1,107,660 | - |
| Premium | 1,404,924 | - | (216,142) | 1,188,782 | - |
| 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) | - | - |
| Tax Exempt Build America Refunding Bonds - 2014 | | | | | |
| Serial Bonds - 3.0-5.0%, 12/14 - 12/37 | - | 25,930,000 | (85,000) | 25,845,000 | 5,000 |
| Premium | - | 561,424 | (23,975) | 537,449 | - |
| Total General Obligation Bonds | 86,257,387 | 27,240,279 | (30,343,876) | 83,153,790 | 3,347,108 |
| Capital Lease - Certificate of Participation | 11,900,000 | - | (880,000) | 11,020,000 | 900,000 |
| Lease Purchase Agreement | 309,713 | - | (152,571) | 157,142 | 157,142 |
| Net Pension Liability | 63,130,181 | - | (10,006,500) | 53,123,681 | - |
| Compensated Absences | | | | | |
| Severance | 4,570,530 | 259,805 | (268,289) | 4,562,046 | 497,946 |
| Vacation | 143,740 | 133,114 | (143,740) | 133,114 | 133,114 |
| Total compensated absences | 4,714,270 | 392,919 | (412,029) | 4,695,160 | 631,060 |
| Total governmental activities long-term liabilities | <u>\$ 166,311,551</u> | <u>\$ 27,633,198</u> | <u>\$ (41,794,976)</u> | <u>\$ 152,149,773</u> | <u>\$ 5,035,310</u> |

Net Pension Liability

See Note 11 for details.

Capital Lease - Certificate of Participation

See Note 14 for detail on the District's capital lease.

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, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Series 2014 Tax Exempt Build America Refunding Bonds

On July 2, 2014, the District issued \$25,930,000 of Series 2014 Tax Exempt Build America Refunding bonds. The proceeds of the bonds were used to refund \$25,950,000 of the District's outstanding Series 2010B Build America bonds. The bonds were issued for a 24 year period with final maturity at December 1, 2037. The bond issue consists of serial bonds. These bonds will be retired from the debt service fund.

At the date of the refunding, \$26,198,041 (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, 2015, \$25,950,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$561,424, 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, 2014 was \$23,975. Bond issuance costs associated with the issuance of these bonds totaled \$293,383. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$248,041. 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 2015 was \$10,592. This refunding was undertaken to reduce total debt service payments by \$572,071 and resulted in an economic gain of \$328,693. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

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, 2015 was \$216,142. Bond issuance costs associated with the issuance of these bonds totaled \$384,596.

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 were retired from the debt service fund.

During fiscal year 2015, the Series 2010B Build America bonds were refunded.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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 received a direct payment subsidy from the United States Treasury during December and June of the current fiscal year. The December subsidy was equal to 35 percent of the corresponding interest payments due on the BABs and the June subsidy was equal to 7.2 percent. 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, 2015 was \$20,501.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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> |

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, 2015 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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, 2015, \$6,265,000 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, 2015 was \$33,515. 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 2015 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.

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, 2015, \$7,684,860 these bonds is considered defeased.

**WADSWORTH CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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, 2015 was \$31,775. Bond issuance costs associated with the issuance of these bonds totaled \$198,028. 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 2015 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 were made from the debt service fund. The source of repayment was from energy savings associated with the improvements. The energy improvement bonds matured December 1, 2014.

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. During fiscal year 2013, one of the capital appreciation bonds matured on December 1, 2012 at a maturity value of \$290,000. During fiscal year 2014, one of the capital appreciation bonds matured on December 1, 2013 at a maturity value of \$285,000. During fiscal year 2015, the final capital appreciation bonds matured on December 1, 2014 at a maturity of \$290,000.

See Note 17 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 were retired from the debt service fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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.

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 were due on June 1 and December 1 of each year. The final maturity stated for the issue was December 1, 2014. These bonds were retired from the debt service fund.

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 were 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.

Future Debt Service Requirements

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015 are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | | Capital Appreciation Bonds | | |
|-------------------------------|--------------------------|----------------------|-----------------------|----------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 1,700,000 | \$ 3,631,551 | \$ 5,331,551 | \$ 637,967 | \$ 1,102,033 | \$ 1,740,000 |
| 2017 | 1,795,000 | 3,564,027 | 5,359,027 | 526,819 | 1,213,181 | 1,740,000 |
| 2018 | 2,740,000 | 3,467,191 | 6,207,191 | 197,805 | 812,195 | 1,010,000 |
| 2019 | 2,885,000 | 3,347,017 | 6,232,017 | 163,051 | 866,949 | 1,030,000 |
| 2020 | 3,305,000 | 3,213,238 | 6,518,238 | 109,395 | 640,605 | 750,000 |
| 2021 - 2025 | 17,545,000 | 13,514,967 | 31,059,967 | 107,070 | 797,930 | 905,000 |
| 2026 - 2030 | 14,155,000 | 10,109,809 | 24,264,809 | - | - | - |
| 2031 - 2035 | 18,145,000 | 6,069,053 | 24,214,053 | - | - | - |
| 2036 - 2038 | 13,245,000 | 1,095,247 | 14,340,247 | - | - | - |
| Total | \$ 75,515,000 | \$ 48,012,100 | \$ 123,527,100 | \$ 1,742,107 | \$ 5,432,893 | \$ 7,175,000 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - CAPITALIZED LEASE

- A.** 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, 2015:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---|----------------------|
| 2016 | \$ 1,121,970 |
| 2017 | 1,122,860 |
| 2018 | 1,123,330 |
| 2019 | 1,123,380 |
| 2020 | 1,123,010 |
| 2021 - 2025 | 5,604,590 |
| 2026 | <u>1,121,655</u> |
| Total minimum lease payment | 12,340,795 |
| Less: amount representing interest | <u>(1,320,795)</u> |
| Present value of minimum lease payments | <u>\$ 11,020,000</u> |

- B.** During the current fiscal year, the District entered into a lease-purchase agreement for technology equipment and upgrades. The District is leasing the equipment from Key Government Finance, Inc. The District will make annual lease payments to Key Government Finance, Inc. The payments are all made from the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---|-------------------|
| 2016 | \$ 161,850 |
| Total minimum lease payment | <u>161,850</u> |
| Less: amount representing interest | <u>(4,708)</u> |
| Present value of minimum lease payments | <u>\$ 157,142</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2015, as reported on the fund statement:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------------|
| General fund | Nonmajor governmental funds | <u>\$ 2,306,454</u> |

The purpose of the other 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, 2015 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported in the fund financial statements:

Transfers to nonmajor governmental funds from:

| | |
|--------------|-----------------|
| General fund | <u>\$ 5,000</u> |
|--------------|-----------------|

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

NOTE 16 - 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, 2015, the District paid approximately \$401,284 to Midland Council of Governments for basic service charges.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 Federal Awards Receipts and Expenditures Schedule. 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 17 - 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 2015. 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 13 for additional disclosures regarding the bond issue.

NOTE 18 - 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, Revere Local School District, and Cuyahoga Falls City 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 18 - PUBLIC ENTITY RISK POOL - (Continued)

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 Bureau of Workers' Compensation

The District participates in the Ohio Bureau of Workers' Compensation (OBWC) state fund. The workers' compensation rate for the District is based on claims incurred in the oldest four of the last five years prior to the calendar year. The District pays its workers' compensation premium to the State based on the OBWC rate for the District multiplied by the payroll for the calendar year. The firm of Benefits 1 Group, Inc. provides administrative, cost control and actuarial services to the District.

NOTE 19 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District but would not have a material impact on the financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 20 - 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);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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 | \$ 1,445,653 |
| Net adjustment for revenue accruals | (741,285) |
| Net adjustment for expenditure accruals | 207,030 |
| Net adjustment for other sources/uses | (544,402) |
| Funds budgeted elsewhere | (33,887) |
| Adjustment for encumbrances | <u>1,402,578</u> |
| GAAP basis | <u>\$ 1,735,687</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 21 - 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.

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.

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2014 | \$ - |
| Current year set-aside requirement | 807,656 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying expenditures | (1,256,618) |
| Excess qualified expenditures from prior years | - |
| Current year offsets | - |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | - |
| Total | <u>\$ (448,962)</u> |
| Balance carried forward to fiscal year 2016 | <u>\$ -</u> |
| Set-aside balance June 30, 2015 | <u>\$ -</u> |

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>Year-End Encumbrances</u> |
|---------------------------|----------------------------------|
| <u>Fund</u> | |
| General fund | \$ 909,920 |
| Classroom facilities fund | 443,414 |
| Other governmental | <u>693,875</u> |
| Total | <u>\$ 2,047,209</u> |

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

| | 2014 | 2013 |
|---|--------------|---------------|
| District's proportion of the net pension liability | 0.18367600% | 0.18367600% |
| District's proportionate share of the net pension liability | \$ 9,295,738 | \$ 10,922,622 |
| District's covered-employee payroll | \$ 5,337,258 | \$ 5,914,379 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 174.17% | 184.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.70% | 65.52% |

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

| | 2014 | 2013 |
|---|---------------|---------------|
| District's proportion of the net pension liability | 0.18018794% | 0.18018794% |
| District's proportionate share of the net pension liability | \$ 43,827,943 | \$ 52,207,559 |
| District's covered-employee payroll | \$ 18,410,231 | \$ 20,615,746 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 238.06% | 253.24% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% | 69.30% |

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 727,637 | \$ 739,744 | \$ 818,550 | \$ 827,942 |
| Contributions in relation to the contractually required contribution | <u>(727,637)</u> | <u>(739,744)</u> | <u>(818,550)</u> | <u>(827,942)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 5,520,766 | \$ 5,337,258 | \$ 5,914,379 | \$ 6,155,703 |
| Contributions as a percentage of covered-employee payroll | 13.18% | 13.86% | 13.84% | 13.45% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|--------------------|
| \$ 840,790 | \$ 834,956 | \$ 882,434 | \$ 915,716 | \$ 800,241 | \$ 1,067,762 |
| <u>(840,790)</u> | <u>(834,956)</u> | <u>(882,434)</u> | <u>(915,716)</u> | <u>(800,241)</u> | <u>(1,067,762)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 6,688,862 | \$ 6,166,588 | \$ 8,967,825 | \$ 9,325,010 | \$ 7,492,893 | \$ 10,092,268 |
| 12.57% | 13.54% | 9.84% | 9.82% | 10.68% | 10.58% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 2,739,051 | \$ 2,393,330 | \$ 2,680,047 | \$ 2,730,881 |
| Contributions in relation to the contractually required contribution | <u>(2,739,051)</u> | <u>(2,393,330)</u> | <u>(2,680,047)</u> | <u>(2,730,881)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 19,564,650 | \$ 18,410,231 | \$ 20,615,746 | \$ 21,006,777 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.00% | 13.00% | 13.00% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,849,941 | \$ 2,812,311 | \$ 2,649,776 | \$ 2,611,559 | \$ 2,485,025 | \$ 2,434,604 |
| <u>(2,849,941)</u> | <u>(2,812,311)</u> | <u>(2,649,776)</u> | <u>(2,611,559)</u> | <u>(2,485,025)</u> | <u>(2,434,604)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 21,922,623 | \$ 21,633,162 | \$ 20,382,892 | \$ 20,088,915 | \$ 19,115,577 | \$ 18,727,723 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

| 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 | \$67,626 | \$108,404 |
| | | <u>751,730</u> | <u>702,142</u> |
| Total Special Education -Grants to States | | 819,356 | 810,546 |
| Special Education - Preschool Grants | 84.173 | 13,828 | 13,828 |
| Total Special Education Cluster | | <u>833,184</u> | <u>824,374</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 72,854 | 98,126 |
| | | <u>288,145</u> | <u>258,688</u> |
| Total Title I Grants to Local Educational Agencies | | 360,999 | 356,814 |
| Improving Teacher Quality State Grants | 84.367 | 5,122 | 15,865 |
| | | <u>151,387</u> | <u>142,216</u> |
| Total Improving Teacher Quality State Grants | | 156,509 | 158,081 |
| Career and Technical Education - Basic Grants to States | 84.048 | 16,197 | 26,170 |
| | | <u>161,141</u> | <u>151,882</u> |
| Total Career and Technical Education - Basic Grants to States | | <u>177,338</u> | <u>178,052</u> |
| Total U.S. Department of Education | | <u>1,528,030</u> | <u>1,517,321</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 | 450,068 | 450,068 |
| Non-Cash Assistance | | 81,309 | 81,309 |
| School Breakfast Program | 10.553 | 65,938 | 65,938 |
| Total Child Nutrition Cluster | | <u>597,315</u> | <u>597,315</u> |
| Team Nutrition Grants | 10.574 | | 646 |
| Total U.S. Department of Agriculture | | <u>597,315</u> | <u>597,961</u> |
| Totals | | <u>\$2,125,345</u> | <u>\$2,115,282</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, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wadsworth City School District's (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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2015, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Wadsworth City School District's (the District) compliance with the applicable 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 Wadsworth City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Wadsworth City School District, Medina County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal Acontrol 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2015

**WADSWORTH CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (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 | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | <ul style="list-style-type: none"> ➤ Career and Technical Education – Basic Grants to States, CFDA 84.048; ➤ Special Education Cluster, CFDA 84.027 and 84.173. |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None

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
JANUARY 19, 2016**