



Dave Yost • Auditor of State



**WADSWORTH CITY SCHOOL DISTRICT  
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, 2017, 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 such 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, 2017, 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.

**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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2018, 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, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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, 2017. 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 2017 are as follows:

- In total, net position of governmental activities decreased \$681,825 which represents a 3.67% decrease from 2016's net position. Net position of business-type activities increased \$4,325 from 2016.
- Governmental activities general revenues accounted for \$50,825,914 in revenues or 85.71% 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 \$8,475,202 or 14.29% of total governmental activities revenues of \$59,301,116.
- The District had \$59,982,941 in expenses related to governmental activities; only \$8,475,202 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 \$50,825,914 were not adequate to provide for these programs.
- The District had \$35,806 in expenses related to business-type activities; a total of \$40,131 was offset by program specific charges for services. Total revenues were adequate to provide for these programs by \$4,325 resulting in an increase in net position from a balance of \$12,056 to a balance of \$16,381.
- The District's major funds are the general fund, the debt service fund and the building fund. The general fund had \$45,035,269 in revenues and other financing sources and \$43,308,108 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$1,727,161 from a balance of \$13,513,145 to a balance of \$15,240,306.
- The debt service fund had \$10,371,719 in revenues and other financing sources and \$9,710,318 in expenditures and other financing uses. During fiscal year 2017, the debt service fund's fund balance increased \$661,401 from a balance of \$4,993,148 to a balance of \$5,654,549.
- The building fund had \$996,968 in expenditures and other financing uses. During fiscal year 2017, the building fund's fund balance decreased \$996,968 from a deficit balance of \$1,938,007 to a deficit balance of \$2,934,975.

**Using these Basic Financial Statements**

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

The statement of net 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 building fund are the only major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

**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 2017?" 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 Funds**

**Fund Financial Statements**

The analysis of the District's major governmental funds begins on page 13. 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, the debt service fund and the building fund.

**Governmental Funds**

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

***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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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, 2017 and June 30, 2016.

**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current assets	\$ 60,263,642	\$ 54,508,898	\$ 16,506	\$ 13,710	\$ 60,280,148	\$ 54,522,608
Capital assets, net	139,212,131	143,015,203	-	-	139,212,131	143,015,203
Total assets	<u>199,475,773</u>	<u>197,524,101</u>	<u>16,506</u>	<u>13,710</u>	<u>199,492,279</u>	<u>197,537,811</u>
<b>Deferred outflows</b>						
Unamortized deferred charges on debt refunding	423,380	441,873	-	-	423,380	441,873
Pension	15,051,870	7,113,849	-	-	15,051,870	7,113,849
Total deferred outflows	<u>15,475,250</u>	<u>7,555,722</u>	<u>-</u>	<u>-</u>	<u>15,475,250</u>	<u>7,555,722</u>
<b>Liabilities</b>						
Current liabilities	6,081,527	5,215,505	125	1,654	6,081,652	5,217,159
Long-term liabilities:						
Due in one year	4,970,348	4,651,611	-	-	4,970,348	4,651,611
Due in more than one year:						
Net pension liability	75,977,848	61,437,111	-	-	75,977,848	61,437,111
Other amounts	85,747,871	89,526,553	-	-	85,747,871	89,526,553
Total liabilities	<u>172,777,594</u>	<u>160,830,780</u>	<u>125</u>	<u>1,654</u>	<u>172,777,719</u>	<u>160,832,434</u>
<b>Deferred inflows</b>						
Property taxes levied for the next fiscal year	24,254,868	21,774,087	-	-	24,254,868	21,774,087
Pension	7,727	3,882,297	-	-	7,727	3,882,297
Total deferred inflows	<u>24,262,595</u>	<u>25,656,384</u>	<u>-</u>	<u>-</u>	<u>24,262,595</u>	<u>25,656,384</u>
<b>Net Position</b>						
Net investment in capital assets	57,471,591	57,898,115	-	-	57,471,591	57,898,115
Restricted	15,167,389	13,063,493	-	-	15,167,389	13,063,493
Unrestricted (deficit)	<u>(54,728,146)</u>	<u>(52,368,949)</u>	<u>16,381</u>	<u>12,056</u>	<u>(54,711,765)</u>	<u>(52,356,893)</u>
Total net position	<u>\$ 17,910,834</u>	<u>\$ 18,592,659</u>	<u>\$ 16,381</u>	<u>\$ 12,056</u>	<u>\$ 17,927,215</u>	<u>\$ 18,604,715</u>

During a prior fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," 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, 2017  
(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.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$17,927,215. Of this amount, \$17,910,834 is reported in governmental activities and \$16,381 is reported in business-type activities.

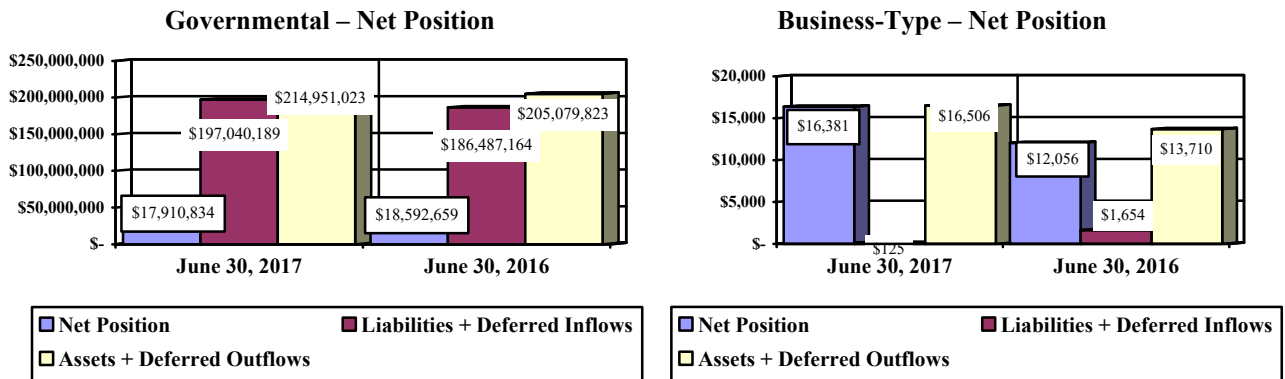
**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

At year end, capital assets represented 69.79% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. Net investment in capital assets at June 30, 2017, was \$57,471,591. 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, \$15,167,389, 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, 2017 and June 30, 2016.



The table below shows the changes in net position for fiscal years 2017 and 2016.

**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 3,121,019	\$ 3,230,743	\$ 40,131	\$ 34,641	\$ 3,161,150	\$ 3,265,384
Operating grants and contributions	4,858,287	4,394,752	-	-	4,858,287	4,394,752
Capital grants and contributions	495,896	679,685	-	-	495,896	679,685
General revenues:						
Property taxes	27,467,135	25,400,461	-	-	27,467,135	25,400,461
Payment in lieu of taxes	39,834	73,367	-	-	39,834	73,367
Grants and entitlements	21,273,379	21,155,293	-	-	21,273,379	21,155,293
Shared sales taxes	1,888,972	1,838,645	-	-	1,888,972	1,838,645
Investment earnings	181,974	123,095	-	-	181,974	123,095
Increase/Decrease in FMV of investments	(90,290)	48,512	-	-	(90,290)	48,512
Miscellaneous	64,910	44,235	-	-	64,910	44,235
<b>Total revenues</b>	<b>59,301,116</b>	<b>56,988,788</b>	<b>40,131</b>	<b>34,641</b>	<b>59,341,247</b>	<b>57,023,429</b>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Governmental Activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	25,762,605	21,087,472	-	-	25,762,605	21,087,472
Special	5,605,848	4,650,443	-	-	5,605,848	4,650,443
Vocational	1,969,487	2,068,179	-	-	1,969,487	2,068,179
Other	1,490,072	1,190,127	-	-	1,490,072	1,190,127
Support services:						
Pupil	4,615,481	3,633,608	-	-	4,615,481	3,633,608
Instructional staff	417,790	389,243	-	-	417,790	389,243
Board of education	166,226	133,816	-	-	166,226	133,816
Administration	4,634,739	4,171,103	-	-	4,634,739	4,171,103
Fiscal	1,019,184	975,303	-	-	1,019,184	975,303
Operations and maintenance	4,750,242	4,560,193	-	-	4,750,242	4,560,193
Pupil transportation	1,961,014	1,859,963	-	-	1,961,014	1,859,963
Central	631,647	751,759	-	-	631,647	751,759
Operation of non-instructional services						
Other non-instructional services	567,247	490,595	-	-	567,247	490,595
Food service operations	1,556,306	1,423,187	-	-	1,556,306	1,423,187
Extracurricular activities	864,820	1,482,242	-	-	864,820	1,482,242
Interest and fiscal charges	3,970,233	4,313,855	-	-	3,970,233	4,313,855
Recreation	-	-	35,806	32,772	35,806	32,772
Total expenses	<u>59,982,941</u>	<u>53,181,088</u>	<u>35,806</u>	<u>32,772</u>	<u>60,018,747</u>	<u>53,213,860</u>
Changes in net position	<u>(681,825)</u>	<u>3,807,700</u>	<u>4,325</u>	<u>1,869</u>	<u>(677,500)</u>	<u>3,809,569</u>
Net position at beginning of year	<u>18,592,659</u>	<u>14,784,959</u>	<u>12,056</u>	<u>10,187</u>	<u>18,604,715</u>	<u>14,795,146</u>
Net position at end of year	<u>\$ 17,910,834</u>	<u>\$ 18,592,659</u>	<u>\$ 16,381</u>	<u>\$ 12,056</u>	<u>\$ 17,927,215</u>	<u>\$ 18,604,715</u>

**Governmental Activities**

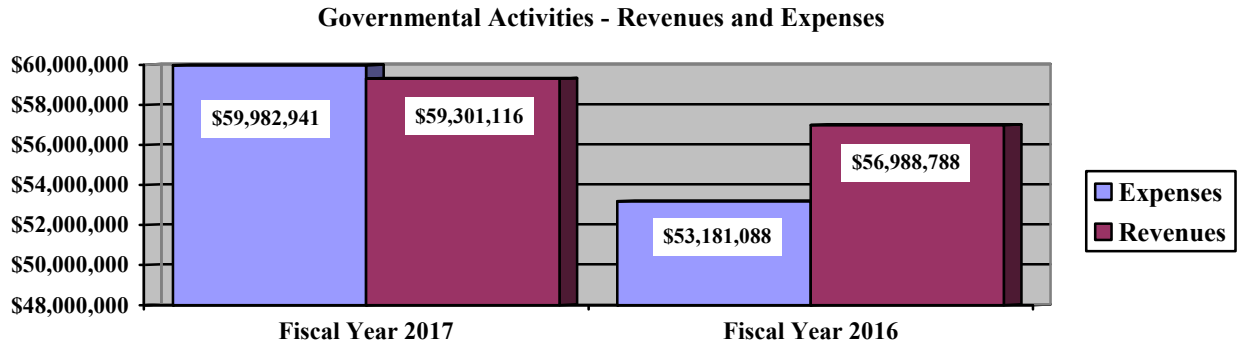
Net position of the District's governmental activities decreased \$681,825. Total governmental expenses of \$59,982,941 were offset by program revenues of \$8,475,202 and general revenues of \$50,825,914. Program revenues supported 14.13% of the total governmental expenses. The primary sources of revenue 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 82.26% of total governmental revenue.

Total revenues increased \$2,312,328 during the current fiscal year. The majority of the increase is due to a \$2,066,674 increase in property taxes and a \$118,086 increase in grants and entitlements. Property taxes increased due to an increase in real estate revenues received and due to a fluctuation in the amount of tax collected and available for advance at fiscal year-end by the Medina County Fiscal Officer. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2017 and 2016 were \$2,765,620 and \$2,318,040, respectively. The amount of tax advance available at year-end can vary depending upon when the county fiscal officers distribute tax bills. Grants and entitlements increased due to an increase in State foundation revenue.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2017 and 2016.



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 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses:				
Instruction:				
Regular	\$ 25,762,605	\$ 24,800,506	\$ 21,087,472	\$ 20,143,546
Special	5,605,848	2,795,003	4,650,443	2,186,235
Vocational	1,969,487	1,132,715	2,068,179	976,987
Other	1,490,072	1,490,072	1,190,127	1,190,127
Support services:				
Pupil	4,615,481	4,373,629	3,633,608	3,427,041
Instructional staff	417,790	398,333	389,243	372,449
Board of Education	166,226	159,355	133,816	133,816
Administration	4,634,739	4,260,822	4,171,103	3,776,479
Fiscal	1,019,184	1,016,175	975,303	972,827
Operations and maintenance	4,750,242	4,671,954	4,560,193	4,485,081
Pupil transportation	1,961,014	1,869,141	1,859,963	1,777,649
Central	631,647	600,391	751,759	705,254
Operation of non-instructional services:				
Other non-instructional services	567,247	95,648	490,595	18,818
Food service operations	1,556,306	153,464	1,423,187	2,687
Extracurricular activities	864,820	216,194	1,482,242	897,203
Interest and fiscal charges	3,970,233	3,474,337	4,313,855	3,809,709
<b>Total expenses</b>	<b><u>\$ 59,982,941</u></b>	<b><u>\$ 51,507,739</u></b>	<b><u>\$ 53,181,088</u></b>	<b><u>\$ 44,875,908</u></b>



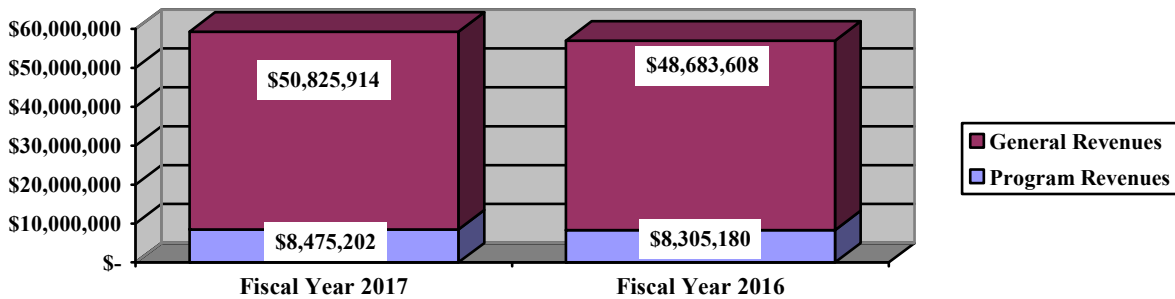
**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 86.76% of instruction activities in fiscal year 2017 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.87%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2017 and 2016.

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

Business-type activities include recreation. This program had revenues of \$40,131 and expenses of \$35,806 for fiscal year 2017. This resulted in an increase to net position for the fiscal year of \$4,325. 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 \$28,758,287 which is higher than last year's balance of \$26,630,919. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance (deficit) <u>June 30, 2017</u>	Fund Balance (deficit) <u>June 30, 2016</u>	Increase (Decrease)
General	\$ 15,240,306	\$ 13,513,145	\$ 1,727,161
Debt service	5,654,549	4,993,148	661,401
Building	(2,934,975)	(1,938,007)	(996,968)
Other governmental	<u>10,798,407</u>	<u>10,062,633</u>	<u>735,774</u>
Total	<u>\$ 28,758,287</u>	<u>\$ 26,630,919</u>	<u>\$ 2,127,368</u>

**General Fund**

The District's general fund balance increased \$1,727,161. During the year general fund tax revenues increased \$1,429,460 due to an increase in real estate revenues collected during the fiscal year and due to an increase in the amount available by the County for an advance. Earnings on investments increased \$49,144 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, 2017  
(UNAUDITED)

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 21,013,750	\$ 19,584,290	7.30 %
Earnings on investments	171,872	122,728	40.04 %
Intergovernmental	22,130,888	21,918,068	0.97 %
Other revenues	<u>1,689,495</u>	<u>1,941,069</u>	(12.96) %
Total	<u>\$ 45,006,005</u>	<u>\$ 43,566,155</u>	3.30 %
<b><u>Expenditures</u></b>			
Instruction	\$ 27,289,677	\$ 25,275,267	7.97 %
Support services	15,185,473	14,321,288	6.03 %
Extracurricular activities	810,206	786,828	2.97 %
Facilities acquisition and construction	17,752	1,231	1,342.08 %
Debt service	<u>-</u>	<u>161,850</u>	(100.00) %
Total	<u>\$ 43,303,108</u>	<u>\$ 40,546,464</u>	6.80 %

**Debt Service Fund**

The debt service fund had \$10,371,719 in revenues and other financing sources and \$9,710,318 in expenditures and other financing uses. During fiscal year 2017, the debt service fund's fund balance increased \$661,401 from a balance of \$4,993,148 to a balance of \$5,654,549. The increase is primarily due to the receipt of more tax revenue as well as the decrease in debt service payments.

**Building Fund**

The building fund had \$996,968 in expenditures and other financing uses. During fiscal year 2017, the building fund's fund balance decreased \$996,968 from a deficit balance of \$1,938,007 to a deficit balance of \$2,934,975. The decrease is primarily due to the increase in expenditures related to facilities acquisition and construction and due to a \$3,799,326 interfund loan payable.

**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 2017, the District amended its general fund budget twice. For the general fund, final budgeted revenues and other financing sources were \$46,872,245, which was higher than the original budgeted revenues estimate of \$45,834,465. Actual revenues and other financing sources for fiscal year 2017 were \$46,872,245. This is the same figure that was used for the final budgeted revenues.

General fund original appropriations and other financing uses of \$45,188,151 were increased to \$47,562,841 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$47,562,841. 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, 2017  
(UNAUDITED)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the District had \$139,212,131 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and textbooks. This entire amount is reported in governmental activities.

The following table shows fiscal year 2017 balances compared to 2016:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 1,836,724	\$ 1,836,724
Construction in progress	748,494	-
Land improvements	1,538,104	1,690,232
Building and improvements	131,125,960	135,308,066
Furniture and equipment	2,885,843	3,201,151
Vehicles	1,077,006	916,658
Textbooks	-	62,372
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 139,212,131</u>	<u>\$ 143,015,203</u>

The overall decrease in capital assets is due to depreciation expense of \$4,971,003 and disposals (net of accumulated depreciation) of \$200,580 exceeding capital outlays of \$1,368,511 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, 2017, the District had \$76,910,003 in general obligation bonds and \$9,200,000 in capital lease – certificates of participation outstanding. Of this total, \$4,608,399 is due within one year and \$81,501,604 is due within greater than one year. The following table summarizes the liabilities outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 76,910,003	\$ 80,173,325
Capital lease - COP	<u>9,200,000</u>	<u>10,120,000</u>
Total	<u>\$ 86,110,003</u>	<u>\$ 90,293,325</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, 2017  
(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 years 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 47% of revenues for governmental activities for the District in fiscal year 2017.

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 nine 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 2018 and 2019. The majority of the growth is from local property taxes. The fiscal year 2018 and 2019 Biennial budget is not projected to provide significant revenue growth. The District has seen revenue growth from state funding in previous Biennial Budgets.

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](mailto:dbeeman@wadsworthschools.org).

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 31,002,721	\$ 16,506	\$ 31,019,227
Cash with fiscal agent . . . . .	26,050	-	26,050
Receivables:			
Property taxes . . . . .	27,232,988	-	27,232,988
Payment in lieu of taxes . . . . .	39,834	-	39,834
Accounts . . . . .	46,846	-	46,846
Accrued interest . . . . .	54,254	-	54,254
Shared sales taxes . . . . .	1,076,589	-	1,076,589
Intergovernmental . . . . .	571,344	-	571,344
Prepayments . . . . .	11,033	-	11,033
Materials and supplies inventory . . . . .	195,728	-	195,728
Inventory held for resale . . . . .	6,255	-	6,255
Capital assets:			
Land and construction in progress . . . . .	2,585,218	-	2,585,218
Depreciable capital assets, net . . . . .	136,626,913	-	136,626,913
Capital assets, net . . . . .	<u>139,212,131</u>	<u>-</u>	<u>139,212,131</u>
Total assets . . . . .	<u>199,475,773</u>	<u>16,506</u>	<u>199,492,279</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	423,380	-	423,380
Pension - STRS . . . . .	11,998,963	-	11,998,963
Pension - SERS . . . . .	<u>3,052,907</u>	<u>-</u>	<u>3,052,907</u>
Total deferred outflows of resources . . . . .	<u>15,475,250</u>	<u>-</u>	<u>15,475,250</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	544,304	125	544,429
Contracts payable . . . . .	361,216	-	361,216
Accrued wages and benefits . . . . .	4,025,738	-	4,025,738
Pension obligation payable . . . . .	684,936	-	684,936
Intergovernmental payable . . . . .	216,504	-	216,504
Accrued interest payable . . . . .	236,464	-	236,464
Unearned revenue . . . . .	12,365	-	12,365
Long-term liabilities:			
Due within one year . . . . .	4,970,348	-	4,970,348
Due in more than one year:			
Net pension liability . . . . .	75,977,848	-	75,977,848
Other amounts due in more than one year . . . . .	85,747,871	-	85,747,871
Total liabilities . . . . .	<u>172,777,594</u>	<u>125</u>	<u>172,777,719</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	24,254,868	-	24,254,868
Pension - SERS . . . . .	<u>7,727</u>	<u>-</u>	<u>7,727</u>
Total deferred inflows of resources . . . . .	<u>24,262,595</u>	<u>-</u>	<u>24,262,595</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	57,471,591	-	57,471,591
Restricted for:			
Capital projects . . . . .	8,485,296	-	8,485,296
Classroom facilities maintenance . . . . .	1,991,459	-	1,991,459
Debt service . . . . .	3,546,485	-	3,546,485
Locally funded programs . . . . .	42,181	-	42,181
State funded programs . . . . .	41,635	-	41,635
Student activities . . . . .	138,413	-	138,413
Other purposes . . . . .	921,920	-	921,920
Unrestricted (deficit) . . . . .	<u>(54,728,146)</u>	<u>16,381</u>	<u>(54,711,765)</u>
Total net position . . . . .	<u>\$ 17,910,834</u>	<u>\$ 16,381</u>	<u>\$ 17,927,215</u>

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, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 25,762,605	\$ 648,160	\$ 313,939	\$ -
Special . . . . .	5,605,848	190,576	2,620,269	-
Vocational . . . . .	1,969,487	393,700	443,072	-
Other . . . . .	1,490,072	-	-	-
Support services:				
Pupil . . . . .	4,615,481	-	241,852	-
Instructional staff . . . . .	417,790	-	19,457	-
Board of education . . . . .	166,226	6,377	494	-
Administration . . . . .	4,634,739	213,489	160,428	-
Fiscal . . . . .	1,019,184	3,009	-	-
Operations and maintenance . . . . .	4,750,242	72,321	5,967	-
Pupil transportation . . . . .	1,961,014	36,237	55,636	-
Central . . . . .	631,647	16,856	14,400	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	567,247	173,744	297,855	-
Food service operations . . . . .	1,556,306	739,472	663,370	-
Extracurricular activities . . . . .	864,820	627,078	21,548	-
Interest and fiscal charges . . . . .	3,970,233	-	-	495,896
Total governmental activities . . . . .	59,982,941	3,121,019	4,858,287	495,896
<b>Business-type activities:</b>				
Recreation . . . . .	35,806	40,131	-	-
Total business-type activities . . . . .	35,806	40,131	-	-
Totals . . . . .	\$ 60,018,747	\$ 3,161,150	\$ 4,858,287	\$ 495,896

**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 . . . . .

  Decrease in FMV of investments . . . . .

  Miscellaneous . . . . .

Total general revenues . . . . .

Change in net position . . . . .

**Net position at beginning of year . . . . .**

**Net position at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (24,800,506)	\$ -	\$ (24,800,506)
(2,795,003)	-	(2,795,003)
(1,132,715)	-	(1,132,715)
(1,490,072)	-	(1,490,072)
(4,373,629)	-	(4,373,629)
(398,333)	-	(398,333)
(159,355)	-	(159,355)
(4,260,822)	-	(4,260,822)
(1,016,175)	-	(1,016,175)
(4,671,954)	-	(4,671,954)
(1,869,141)	-	(1,869,141)
(600,391)	-	(600,391)
(95,648)	-	(95,648)
(153,464)	-	(153,464)
(216,194)	-	(216,194)
(3,474,337)	-	(3,474,337)
(51,507,739)	-	(51,507,739)
-	4,325	4,325
-	4,325	4,325
(51,507,739)	4,325	(51,503,414)
21,007,720	-	21,007,720
6,459,415	-	6,459,415
39,834	-	39,834
20,873,367	-	20,873,367
43,507	-	43,507
356,505	-	356,505
1,888,972	-	1,888,972
181,974	-	181,974
(90,290)	-	(90,290)
64,910	-	64,910
50,825,914	-	50,825,914
(681,825)	4,325	(677,500)
18,592,659	12,056	18,604,715
<u>\$ 17,910,834</u>	<u>\$ 16,381</u>	<u>\$ 17,927,215</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Debt Service	Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 13,840,182	\$ 4,960,089	\$ 1,424,881	\$ 10,777,569	\$ 31,002,721
Cash with fiscal agent . . . . .	26,050	-	-	-	26,050
Receivables:					
Property taxes . . . . .	20,663,922	6,569,066	-	-	27,232,988
Payment in lieu of taxes . . . . .	39,834	-	-	-	39,834
Accounts . . . . .	31,481	-	-	15,365	46,846
Accrued interest . . . . .	54,254	-	-	-	54,254
Shared sales taxes . . . . .	-	-	-	1,076,589	1,076,589
Interfund loans . . . . .	3,963,017	-	-	-	3,963,017
Intergovernmental . . . . .	215,686	-	-	355,658	571,344
Prepayments . . . . .	10,182	-	-	851	11,033
Materials and supplies inventory . . . . .	194,840	-	-	888	195,728
Inventory held for resale . . . . .	-	-	-	6,255	6,255
Total assets . . . . .	<u>\$ 39,039,448</u>	<u>\$ 11,529,155</u>	<u>\$ 1,424,881</u>	<u>\$ 12,233,175</u>	<u>\$ 64,226,659</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 333,654	-	\$ 199,314	\$ 11,336	\$ 544,304
Contracts payable . . . . .	-	-	361,216	-	361,216
Accrued wages and benefits . . . . .	3,776,572	-	-	249,166	4,025,738
Compensated absences payable . . . . .	179,353	-	-	19,395	198,748
Interfund loans payable . . . . .	-	-	3,799,326	163,691	3,963,017
Intergovernmental payable . . . . .	213,394	-	-	3,110	216,504
Pension obligation payable . . . . .	633,514	-	-	51,422	684,936
Unearned revenue . . . . .	150	-	-	12,215	12,365
Total liabilities . . . . .	<u>5,136,637</u>	<u>-</u>	<u>4,359,856</u>	<u>510,335</u>	<u>10,006,828</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	18,433,368	5,821,500	-	-	24,254,868
Delinquent property tax revenue not available . . . . .	159,394	53,106	-	-	212,500
Accrued interest not available . . . . .	17,101	-	-	-	17,101
Intergovernmental revenue not available . . . . .	52,642	-	-	355,658	408,300
Shared sales taxes . . . . .	-	-	-	568,775	568,775
Total deferred inflows of resources . . . . .	<u>18,662,505</u>	<u>5,874,606</u>	<u>-</u>	<u>924,433</u>	<u>25,461,544</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	194,840	-	-	888	195,728
Prepays . . . . .	10,182	-	-	851	11,033
Restricted:					
Debt service . . . . .	-	5,654,549	-	-	5,654,549
Capital improvements . . . . .	-	-	-	7,923,931	7,923,931
Classroom facilities maintenance . . . . .	-	-	-	1,991,459	1,991,459
Food service operations . . . . .	-	-	-	850,658	850,658
Non-public schools . . . . .	-	-	-	4,725	4,725
Special education . . . . .	-	-	-	76,369	76,369
Other purposes . . . . .	-	-	-	188,448	188,448
Extracurricular activities . . . . .	-	-	-	138,399	138,399
Committed:					
Student instruction . . . . .	67,348	-	-	-	67,348
Student and staff support . . . . .	23,010	-	-	-	23,010
Assigned:					
Student instruction . . . . .	120,152	-	-	-	120,152
Student and staff support . . . . .	460,825	-	-	-	460,825
Extracurricular activities . . . . .	5,053	-	-	-	5,053
Public school support . . . . .	62,674	-	-	-	62,674
Uniform school supplies . . . . .	16,414	-	-	-	16,414
Adult education . . . . .	80,745	-	-	-	80,745
Other purposes . . . . .	118,768	-	-	-	118,768
Unassigned (deficit) . . . . .	14,080,295	-	(2,934,975)	(377,321)	10,767,999
Total fund balances (deficit) . . . . .	<u>15,240,306</u>	<u>5,654,549</u>	<u>(2,934,975)</u>	<u>10,798,407</u>	<u>28,758,287</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 39,039,448</u>	<u>\$ 11,529,155</u>	<u>\$ 1,424,881</u>	<u>\$ 12,233,175</u>	<u>\$ 64,226,659</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, 2017

<b>Total governmental fund balances</b>		\$	28,758,287
<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.			139,212,131
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	212,500	
Sales taxes receivable		568,775	
Accrued interest receivable		17,101	
Intergovernmental receivable		408,300	
Total		408,300	1,206,676
Unamortized premiums on bonds issued are not recognized in the funds.			(2,540,566)
Unamortized amounts on refundings are not recognized in the funds.			423,380
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		15,051,870	
Deferred inflows of resources - pension		(7,727)	
Net pension liability		(75,977,848)	
Total		(75,977,848)	(60,933,705)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(236,464)
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		(74,369,437)	
Capital lease obligation - COP		(9,200,000)	
Compensated absences		(4,409,468)	
Total		(87,978,905)	(87,978,905)
<b>Net position of governmental activities</b>		\$	17,910,834

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, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 21,013,750	\$ 6,461,722	\$ -	\$ -	\$ 27,475,472
Payment in lieu of taxes . . . . .	39,834	-	-	-	39,834
Tuition . . . . .	852,889	-	-	233,077	1,085,966
Transportation fees . . . . .	36,237	-	-	-	36,237
Earnings on investments . . . . .	171,872	-	-	12,341	184,213
Charges for services . . . . .	-	-	-	739,472	739,472
Extracurricular . . . . .	313,614	-	-	486,868	800,482
Classroom materials and fees . . . . .	294,588	-	-	-	294,588
Rental income . . . . .	72,321	-	-	-	72,321
Contributions and donations . . . . .	42,478	-	-	28,467	70,945
Contract services . . . . .	75,097	-	-	43,507	118,604
Other local revenues . . . . .	52,727	-	-	86,244	138,971
Intergovernmental - intermediate . . . . .	-	-	-	423,873	423,873
Intergovernmental - state . . . . .	21,991,829	835,540	-	358,631	23,186,000
Intergovernmental - federal . . . . .	139,059	495,896	-	2,088,655	2,723,610
Shared sales taxes . . . . .	-	-	-	1,863,361	1,863,361
Decrease in fair value of investments . . . . .	(90,290)	-	-	-	(90,290)
<b>Total revenues . . . . .</b>	<b>45,006,005</b>	<b>7,793,158</b>	<b>-</b>	<b>6,364,496</b>	<b>59,163,659</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	20,306,800	-	220,009	372,089	20,898,898
Special . . . . .	3,768,566	-	-	980,416	4,748,982
Vocational . . . . .	1,724,395	-	-	37,009	1,761,404
Other . . . . .	1,489,916	-	-	-	1,489,916
Support services:					
Pupil . . . . .	3,589,631	-	-	258,804	3,848,435
Instructional staff . . . . .	383,377	-	-	18,488	401,865
Board of education . . . . .	162,047	-	1,125	-	163,172
Administration . . . . .	3,741,546	-	-	149,014	3,890,560
Fiscal . . . . .	827,149	100,739	-	3,465	931,353
Operations and maintenance . . . . .	4,169,670	-	-	172,073	4,341,743
Pupil transportation . . . . .	1,931,872	-	-	-	1,931,872
Central . . . . .	380,181	-	-	83,519	463,700
Operation of non-instructional services:					
Other non-instructional services . . . . .	-	-	-	507,588	507,588
Food service operations . . . . .	-	-	-	1,340,138	1,340,138
Extracurricular activities . . . . .	810,206	-	-	537,815	1,348,021
Facilities acquisition and construction . . . . .	17,752	-	775,834	51,042	844,628
Debt service:					
Principal retirement . . . . .	-	2,421,819	-	920,000	3,341,819
Interest and fiscal charges . . . . .	-	3,314,127	-	202,572	3,516,699
Refunding bond issuance costs . . . . .	-	172,870	-	-	172,870
Accretion on capital appreciation bonds . . . . .	-	1,213,181	-	-	1,213,181
<b>Total expenditures . . . . .</b>	<b>43,303,108</b>	<b>7,222,736</b>	<b>996,968</b>	<b>5,634,032</b>	<b>57,156,844</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,702,897	570,422	(996,968)	730,464	2,006,815
<b>Other financing sources (uses):</b>					
Premium on refunding bonds . . . . .	-	143,561	-	-	143,561
Sale of refunding bonds . . . . .	-	2,435,000	-	-	2,435,000
Sale of assets . . . . .	29,264	-	-	310	29,574
Transfers in . . . . .	-	-	-	5,000	5,000
Transfers (out) . . . . .	(5,000)	-	-	-	(5,000)
Payment to refunding bond escrow agent . . . . .	-	(2,487,582)	-	-	(2,487,582)
<b>Total other financing sources (uses) . . . . .</b>	<b>24,264</b>	<b>90,979</b>	<b>-</b>	<b>5,310</b>	<b>120,553</b>
Net change in fund balances . . . . .	1,727,161	661,401	(996,968)	735,774	2,127,368
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>13,513,145</b>	<b>4,993,148</b>	<b>(1,938,007)</b>	<b>10,062,633</b>	<b>26,630,919</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ 15,240,306</b>	<b>\$ 5,654,549</b>	<b>\$ (2,934,975)</b>	<b>\$ 10,798,407</b>	<b>\$ 28,758,287</b>

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, 2017

<b>Net change in fund balances - total governmental funds</b>	\$	2,127,368
<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	\$ 1,368,511	
Current year depreciation	<u>(4,971,003)</u>	
Total		(3,602,492)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(200,580)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(8,337)	
Sales taxes	25,611	
Accrued interest	10,102	
Intergovernmental	105,655	
Total		133,031
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	2,421,819	
Accreted interest	1,213,181	
Capital lease - COP	<u>920,000</u>	
Total		4,555,000
The issuance of bonds is 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.		
		(2,435,000)
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.		
		2,487,582
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(143,561)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	18,528	
Accreted interest on capital appreciation bonds	(631,109)	
Amortization of bond premiums	377,992	
Amortization of refunding loss	<u>(46,075)</u>	
Total		(280,664)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,778,233
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(6,506,379)
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>(594,363)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(681,825)</u></b>

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, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 19,991,209	\$ 20,708,170	\$ 20,708,170	\$ -
Payment in lieu of taxes. . . . .	1,554	1,554	1,554	-
Tuition. . . . .	910,000	936,689	936,689	-
Transportation fees. . . . .	25,000	36,237	36,237	-
Earnings on investments . . . . .	95,000	163,063	163,063	-
Extracurricular. . . . .	136,000	140,210	140,210	-
Classroom materials and fees . . . . .	200,000	225,262	225,262	-
Rental income . . . . .	65,000	62,856	62,856	-
Contributions and donations . . . . .	50,000	42,064	42,064	-
Contract services. . . . .	42,210	43,090	43,090	-
Other local revenues . . . . .	32,500	22,147	22,147	-
Intergovernmental - state . . . . .	21,832,821	21,943,126	21,943,126	-
Intergovernmental - federal . . . . .	125,000	144,705	144,705	-
<b>Total revenues . . . . .</b>	<u>43,506,294</u>	<u>44,469,173</u>	<u>44,469,173</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	21,273,923	20,162,749	20,162,749	-
Special. . . . .	3,789,430	3,905,418	3,905,418	-
Vocational. . . . .	1,391,459	1,756,895	1,756,895	-
Other. . . . .	1,824,236	1,489,917	1,489,917	-
Support services:				
Pupil. . . . .	3,503,904	3,541,578	3,541,578	-
Instructional staff . . . . .	297,850	400,272	400,272	-
Board of education . . . . .	313,431	187,018	187,018	-
Administration. . . . .	3,583,966	3,571,820	3,571,820	-
Fiscal . . . . .	915,016	835,371	835,371	-
Operations and maintenance. . . . .	4,758,386	4,518,272	4,518,272	-
Pupil transportation . . . . .	1,848,156	1,926,697	1,926,697	-
Central. . . . .	599,753	455,068	455,068	-
Extracurricular activities. . . . .	978,641	815,037	815,037	-
Facilities acquisition and construction . . . . .	-	17,752	17,752	-
<b>Total expenditures . . . . .</b>	<u>45,078,151</u>	<u>43,583,864</u>	<u>43,583,864</u>	<u>-</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,571,857)</u>	<u>885,309</u>	<u>885,309</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	8,000	37,791	37,791	-
Transfers (out). . . . .	(10,000)	(15,960)	(15,960)	-
Advances in. . . . .	2,314,017	2,336,017	2,336,017	-
Advances (out) . . . . .	(100,000)	(3,963,017)	(3,963,017)	-
Sale of capital assets . . . . .	6,154	29,264	29,264	-
<b>Total other financing sources (uses) . . . . .</b>	<u>2,218,171</u>	<u>(1,575,905)</u>	<u>(1,575,905)</u>	<u>-</u>
Net change in fund balance . . . . .	646,314	(690,596)	(690,596)	-
<b>Fund balance at beginning of year . . . . .</b>	12,092,848	12,092,848	12,092,848	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,121,566	1,121,566	1,121,566	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 13,860,728</u>	<u>\$ 12,523,818</u>	<u>\$ 12,523,818</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	<u><b>Total Business-Type Activities - Enterprise Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 16,506
Total assets. . . . .	<u>16,506</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	<u>125</u>
Total liabilities . . . . .	<u>125</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>16,381</u>
Total net position. . . . .	<u><u>\$ 16,381</u></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 FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Total Business-Type Activities - Enterprise Fund</b>
<b>Operating revenues:</b>	
Charges for service . . . . .	\$ 40,131
Total operating revenues . . . . .	<u>40,131</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	35,171
Materials and supplies . . . . .	<u>635</u>
Total operating expenses. . . . .	<u>35,806</u>
Operating income . . . . .	<u>4,325</u>
<b>Net position at beginning of year. . . . .</b>	<u>12,056</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 16,381</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		<b>Total Business-Type Activities - Enterprise Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from charges for services . . . . .	\$	40,131
Cash payments for contractual services . . . . .		(36,700)
Cash payments for materials and supplies . . . . .		(635)
		2,796
Net cash provided by operating activities. . . . .		2,796
Net increase in cash and cash investments . . . . .		2,796
<b>Cash and cash equivalents at beginning of year . . .</b>		13,710
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$</b>	<b>16,506</b>
		16,506
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	4,325
Changes in assets and liabilities:		
Decrease in accounts payable . . . . .		(1,529)
		(1,529)
Net cash provided by operating activities. . . . .	<b>\$</b>	<b>2,796</b>
		2,796

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . .	\$ 79,805
Receivables:	
Accounts . . . . .	81,228
Total assets. . . . .	\$ 161,033
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 9,262
Undistributed monies. . . . .	151,771
Total liabilities . . . . .	\$ 161,033

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, 2017

**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 273 non-certified employees and 294 certified full-time teaching personnel who provide services to 4,600 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, 2017

**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 are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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, 2017

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

The following are the District's major governmental funds:

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

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

Building fund - The building fund is used to account for resources that are restricted for capital outlays including the acquisition or construction of capital facilities and other capital assets. This fund accounts for receipts and expenditures related to all special bond funds in the District. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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 is the District's proprietary fund:

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.

**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.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 inflows, and in the presentation of expenses versus expenditures.

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

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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. See Note 11 for deferred outflows of resources related the District's net pension liability. 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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 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.

See Note 11 for deferred inflows of resources 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.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 2017 the District had investments in federal agency securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit 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.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$171,872, which includes \$63,978 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 acquisition value. 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 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, 2017, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 2017.

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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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.

**S. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 23); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part-B	\$ 150,639
Vocational education	24,966
Title I - disadvantaged children	168,370
Improving teacher quality	33,346

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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, 2017, the District had \$26,050 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 \$7,262 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**C. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$11,977,029. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$11,659,435 of the District's bank balance of \$12,190,979 was exposed to custodial risk as discussed below, while \$531,544 was covered by the FDIC.



**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**D. Investments**

As of June 30, 2017, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than months
Fair Value:						
Negotiable CD's	\$ 10,101,405	\$ 3,250,465	\$ 1,640,329	\$ 1,995,335	\$ 2,472,813	\$ 742,463
FHLMC	2,276,595	-	787,440	498,215	-	990,940
FNMA	1,539,551	-	-	496,870	-	1,042,681
U.S. Treasury money market	118,375	118,375	-	-	-	-
Amortized Cost:						
STAR Ohio	5,078,815	5,078,815	-	-	-	-
Total	<u>\$ 19,114,741</u>	<u>\$ 8,447,655</u>	<u>\$ 2,427,769</u>	<u>\$ 2,990,420</u>	<u>\$ 2,472,813</u>	<u>\$ 2,776,084</u>

The weighted average maturity of investments is 0.97 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLMC, FNMA) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*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 negotiable CDs are covered by FDIC. 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  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017:

<u>Measurement/ Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Fair Value:		
Negotiable CD's	\$ 10,101,405	52.85
FHLMC	2,276,595	11.91
FNMA	1,539,551	8.05
U.S. Treasury money market	118,375	0.62
Amortized Cost:		
STAR Ohio	<u>5,078,815</u>	<u>26.57</u>
Total	<u>\$ 19,114,741</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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,977,029
Investments	19,114,741
Cash on hand	7,262
Cash with fiscal agent	<u>26,050</u>
Total	<u>\$ 31,125,082</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 31,028,771
Agency funds	79,805
Business-type activities	<u>16,506</u>
Total	<u>\$ 31,125,082</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$2,071,160 in the general fund and \$694,460 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$1,765,580 in the general fund and \$552,460 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, 2017 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, 2017

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 593,070,350	95.38	\$ 655,870,490	93.55
Public utility personal	<u>28,694,880</u>	<u>4.62</u>	<u>45,199,440</u>	<u>6.45</u>
Total	<u>\$ 621,765,230</u>	<u>100.00</u>	<u>\$ 701,069,930</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$79.00		\$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 2017, the District recorded shared sales tax revenue of \$1,863,361 in the capital grants fund (a nonmajor governmental fund).

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2017 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:

<b>Governmental activities:</b>	
Taxes	\$ 27,232,988
Payment in lieu of taxes	39,834
Accounts	46,846
Accrued interest	54,254
Shared sales taxes	1,076,589
Intergovernmental	<u>571,344</u>
Total	<u>\$ 29,021,855</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, 2017

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

<b>Governmental activities:</b>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2017</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,836,724	\$ -	\$ -	\$ 1,836,724
Construction in progress	<u>-</u>	<u>748,494</u>	<u>-</u>	<u>748,494</u>
Total capital assets, not being depreciated	<u>1,836,724</u>	<u>748,494</u>	<u>-</u>	<u>2,585,218</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,705,941	22,231	(56,118)	2,672,054
Buildings and improvements	161,229,071	-	(6,020)	161,223,051
Furniture and equipment	6,746,530	221,268	(1,196,544)	5,771,254
Vehicles	3,408,383	376,518	(505,695)	3,279,206
Infrastructure	131,333	-	(131,333)	-
Textbooks	<u>668,884</u>	<u>-</u>	<u>(668,884)</u>	<u>-</u>
Total capital assets, being depreciated	<u>174,890,142</u>	<u>620,017</u>	<u>(2,564,594)</u>	<u>172,945,565</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,015,709)	(136,082)	17,841	(1,133,950)
Buildings and improvements	(25,921,005)	(4,182,106)	6,020	(30,097,091)
Furniture and equipment	(3,545,379)	(450,145)	1,110,113	(2,885,411)
Vehicles	(2,491,725)	(202,670)	492,195	(2,202,200)
Infrastructure	(131,333)	-	131,333	-
Textbooks	<u>(606,512)</u>	<u>-</u>	<u>606,512</u>	<u>-</u>
Total accumulated depreciation	<u>(33,711,663)</u>	<u>(4,971,003)</u>	<u>2,364,014</u>	<u>(36,318,652)</u>
Governmental activities capital assets, net	<u>\$ 143,015,203</u>	<u>\$ (3,602,492)</u>	<u>\$ (200,580)</u>	<u>\$ 139,212,131</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,331,821
Special	473,803
Vocational	143,790
<u>Support services:</u>	
Pupil	417,234
Instructional staff	8,090
Board of Education	2,052
Administration	407,243
Fiscal	47,313
Operations and maintenance	324,801
Pupil transportation	185,259
Central	117,134
Operation of non-instructional services:	
Other non-instructional services	31,752
Food service operations	146,100
Extracurricular activities	334,611
Total depreciation expense	<u>\$ 4,971,003</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 \$247,742,460. 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, 2017

**NOTE 9 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2017, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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.

The 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 bases 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](http://www.ohsers.org) under Employers/Audit Resources.



**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 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 year 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$871,856 for fiscal year 2017. Of this amount, \$74,795 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](http://www.strsoh.org).

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,906,377 for fiscal year 2017. Of this amount, \$492,512 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, 2017

**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, 2016, 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>
Proportion of the net pension liability prior measurement date	0.18338230%	0.18443753%	
Proportion of the net pension liability current measurement date	<u>0.18312400%</u>	<u>0.18694122%</u>	
Change in proportionate share	<u>-0.00025830%</u>	<u>0.00250369%</u>	
Proportionate share of the net pension liability	\$ 13,402,987	\$ 62,574,861	\$ 75,977,848
Pension expense	\$ 1,385,797	\$ 5,120,582	\$ 6,506,379

At June 30, 2017, 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>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 180,774	\$ 2,528,326	\$ 2,709,100
Net difference between projected and actual earnings on pension plan investments	1,105,554	5,195,393	6,300,947
Changes of assumptions	894,723	-	894,723
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	1,368,867	1,368,867
District contributions subsequent to the measurement date	<u>871,856</u>	<u>2,906,377</u>	<u>3,778,233</u>
Total deferred outflows of resources	<u>\$ 3,052,907</u>	<u>\$ 11,998,963</u>	<u>\$ 15,051,870</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 7,727</u>	<u>\$ -</u>	<u>\$ 7,727</u>
Total deferred inflows of resources	<u>\$ 7,727</u>	<u>\$ -</u>	<u>\$ 7,727</u>

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$3,778,233 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 ending June 30, 2018. 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 Ending June 30:	SERS	STRS	Total
2018	\$ 542,157	\$ 1,628,113	\$ 2,170,270
2019	541,362	1,628,113	2,169,475
2020	772,003	3,621,731	4,393,734
2021	317,802	2,214,629	2,532,431
Total	\$ 2,173,324	\$ 9,092,586	\$ 11,265,910

***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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 average 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 17,744,720	\$ 13,402,987	\$ 9,768,776

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, 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, 2016, 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:

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
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	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	<b>7.61 %</b>

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

**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	\$ 83,156,906	\$ 62,574,861	\$ 45,212,693

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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](http://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, 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 2017, none of the employer contribution 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 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$104,053.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$104,053, \$93,781, and \$138,672, respectively. The fiscal year 2017 amount has been reported as pension obligation payable. The full amount has been contributed for fiscal years 2016 and 2015.

**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](http://www.strsoh.org) or by calling (888) 227-7877.



**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**NOTE 13 - LONG-TERM OBLIGATIONS**

During fiscal year 2017, the following changes occurred in governmental activities long-term obligations.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<b>Series BQ Bonds - 2009</b>					
Serial Bonds - 2.00-5.00%, 6/09 - 12/37	\$ 8,175,000	\$ -	\$ -	\$ 8,175,000	\$ -
Capital Appreciation bonds - 25.929%, 12/16 - 12/18	109,995	-	(45,875)	64,120	35,949
Accretion on Capital Appreciation bonds	484,322	127,787	(234,125)	377,984	211,917
Premium	285,293	-	(12,968)	272,325	-
<b>School Improvement Refunding Bonds - 2007</b>					
Serial Bonds - 4%, 6/06 - 12/22	5,605,000	-	-	5,605,000	850,000
Capital Appreciation bonds - 10.439%, 12/15 - 12/16	314,194	-	(314,194)	-	-
Accretion on Capital Appreciation bonds	493,855	41,951	(535,806)	-	-
Premium	234,606	-	(33,515)	201,091	-
<b>Library Improvement Refunding Bonds - 2016</b>					
Serial Bonds - 3.00-3.25%, 12/16 - 12/22	-	2,435,000	(305,000)	2,130,000	330,000
Premium	-	143,561	(19,740)	123,821	-
<b>Library Improvement Bonds - 2001 (see Note 17)</b>					
Term Bonds - 5.05-5.10%, 12/12 - 12/22	2,460,000	-	(2,460,000)	-	-

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**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<b>Taxable Build America Bonds - 2009</b>					
Serial Bonds - 1.75-5.01%, 9/09 - 12/19	\$ 2,425,000	\$ -	\$ (565,000)	\$ 1,860,000	\$ 590,000
Term Bonds - 5.41-7.00%, 12/21 - 12/37	21,540,000	-	-	21,540,000	-
Premium	440,765	-	(20,501)	420,264	-
<b>School Improvement Bonds - 2010A</b>					
Capital Appreciation bonds - 22.072%, 12/16 - 12/20	679,951	-	(166,750)	513,201	161,856
Accretion on Capital Appreciation bonds	1,536,011	461,371	(443,250)	1,554,132	493,677
Premium	972,640	-	(216,142)	756,498	-
<b>Tax Exempt Build America Refunding Bonds - 2014</b>					
Serial Bonds - 3.0-5.0%, 12/14 - 12/37	25,840,000	-	(5,000)	25,835,000	5,000
Premium	513,474	-	(23,975)	489,499	-
<b>School Improvement Bonds - 2016</b>					
Serial Bonds - 2-3.0%, 6/16 - 12/22	7,735,000	-	(1,020,000)	6,715,000	990,000
Premium	328,219	-	(51,151)	277,068	-
<b>Total General Obligation Bonds</b>	<b>80,173,325</b>	<b>3,209,670</b>	<b>(6,472,992)</b>	<b>76,910,003</b>	<b>3,668,399</b>
Capital Lease - Certificate of Participation	10,120,000	-	(920,000)	9,200,000	940,000
Net Pension Liability	61,437,111	14,540,737	-	75,977,848	-
Compensated Absences					
Severance	3,716,386	864,236	(135,607)	4,445,015	198,748
Vacation	168,453	163,201	(168,453)	163,201	163,201
Total compensated absences	3,884,839	1,027,437	(304,060)	4,608,216	361,949
Total governmental activities long-term liabilities	<u>\$ 155,615,275</u>	<u>\$ 18,777,844</u>	<u>\$ (7,697,052)</u>	<u>\$ 166,696,067</u>	<u>\$ 4,970,348</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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**Series 2016 Library Improvement Refunding Bonds**

On July 20, 2016, the District issued \$2,435,000 of Series 2016 Library Improvement Refunding bonds. The proceeds of the bonds were used to refund \$2,460,000 of the District's outstanding Series 2001 Library Improvement Refunding General Obligation Bonds. The bonds were issued for a 7 year period with final maturity at December 1, 2022. The bond issue consists of serial bonds. These bonds will be retired from the debt service fund.

At the date of the refunding, \$2,487,582 (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, 2017, \$2,160,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$143,561, 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, 2017 was \$19,740. Bond issuance costs associated with the issuance of these bonds totaled \$172,870. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$27,582. 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 2017 was \$3,992. This refunding was undertaken to reduce total debt service payments by \$216,903 and resulted in an economic gain of \$203,948. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

See Note 17 for more information on the Library and its relationship to the District.

**Series 2016 School Improvement Refunding Bonds**

On April 4, 2016, the District issued \$7,735,000 of Series 2016 School Improvement Refunding bonds. The proceeds of the bonds were used to refund \$7,770,000 of the District's outstanding Series 2006 School Improvement Refunding General Obligation Bonds. The bonds were issued for a 7 year period with final maturity at December 1, 2022. The bond issue consists of serial bonds. These bonds will be retired from the debt service fund.

At the date of the refunding, \$7,925,985 (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, 2017, \$5,865,000 of these bonds is considered defeased.

These refunding bonds were issued with a premium of \$341,007, 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, 2017 was \$51,151. Bond issuance costs associated with the issuance of these bonds totaled \$150,022. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$62,016. 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 2017 was \$9,302. This refunding was undertaken to reduce total debt service payments by \$647,117 and resulted in an economic gain of \$621,515. Straight-line amortization has been used and is not significantly different than the bonds outstanding or the effective interest rates methods.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017, \$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, 2017 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 2017 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, 2017 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 outstanding capital appreciation bonds at June 30, 2017 is \$513,201.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017 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 outstanding capital appreciation bonds at June 30, 2017 is \$64,120.

**WADSWORTH CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017, \$5,605,007 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, 2017 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 2017 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 issue is comprised of both current interest serial bonds, par value \$8,510,000 and capital appreciation bonds par value \$659,993. During fiscal year 2016, one of the capital appreciation bonds matured on December 1, 2015 at a maturity value of \$845,000. At June 30, 2016, the remaining capital appreciation bonds matured on December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2016 was \$850,000.

**Series 2006 School Improvement Refunding General Obligation Bonds**

During fiscal year 2016, the Series 2006 School Improvement Refunding General Obligation bonds were refunded.

**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.

During fiscal year 2017, the Series 2001 Library Improvement Bonds were refunded.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**Future Debt Service Requirements**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 2,765,000	\$ 3,333,451	\$ 6,098,451	\$ 197,805	\$ 812,195	\$ 1,010,000
2019	2,890,000	3,229,765	6,119,765	163,051	866,949	1,030,000
2020	3,300,000	3,114,622	6,414,622	109,395	640,605	750,000
2021	3,460,000	2,992,023	6,452,023	107,070	797,930	905,000
2022	4,560,000	2,837,837	7,397,837	-	-	-
2023 - 2027	14,525,000	12,008,955	26,533,955	-	-	-
2028 - 2032	15,710,000	8,648,187	24,358,187	-	-	-
2033 - 2037	20,040,000	4,049,628	24,089,628	-	-	-
2038	4,610,000	124,922	4,734,922	-	-	-
<b>Total</b>	<b>\$ 71,860,000</b>	<b>\$ 40,339,390</b>	<b>\$ 112,199,390</b>	<b>\$ 577,321</b>	<b>\$ 3,117,679</b>	<b>\$ 3,695,000</b>

**NOTE 14 - CAPITALIZED LEASE**

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2017:

Year Ended June 30	Amount
2018	\$ 1,123,330
2019	1,123,380
2020	1,123,010
2021	1,122,220
2022	1,121,010
2023 - 2026	4,483,015
Total minimum lease payment	10,095,965
Less: amount representing interest	(895,965)
Present value of minimum lease payments	<u>\$ 9,200,000</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 15 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Building fund	\$ 3,799,326
General fund	Nonmajor governmental fund	<u>163,691</u>
Total		<u>\$ 3,963,017</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, 2017 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2017, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

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, 2017, the District paid approximately \$414,235 to Midland Council of Governments for basic service charges.

***Four Cities Educational Compact***

The Four Cities Educational Compact is a jointly governed organization among four boards of education. The compact was formed to provide a full range of career technical education opportunities for the students. Students from any of the four districts may participate in programs at all four districts. Operating costs are apportioned based on student placement. Wadsworth City School District is the fiscal agent for the Compact and has accounted for the financial activity of the Compact as an agency fund. The District also has received a federal grant on behalf of the Compact, which has been included on the 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 2017. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 19 - CONTINGENCIES - (Continued)**

**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. 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, 2017 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.

**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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<u>General fund</u>
Budget basis	\$ (690,596)
Net adjustment for revenue accruals	237,292
Net adjustment for expenditure accruals	(503,330)
Net adjustment for other sources/uses	1,600,169
Funds budgeted elsewhere	6,137
Adjustment for encumbrances	<u>1,077,489</u>
GAAP basis	<u>\$ 1,727,161</u>

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

**NOTE 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, 2016	\$ -
Current year set-aside requirement	816,715
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,100,082)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (283,367)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 22 - OTHER COMMITMENTS**

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

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 728,971
Building fund	1,075,223
Other governmental	<u>388,904</u>
 Total	 <u>\$ 2,193,098</u>

**NOTE 23 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Wadsworth entered into a tax abatement agreement with Soprema for the abatement of property taxes to bring jobs and economic development into the City. The agreement affects the property tax receipts collected and distributed to the District. Under the agreement, the District will forgo future property taxes in the amount of \$49,623 annually based on the effective millage rate in place at the time of the agreement.

**NOTE 24 - CONTRACTUAL COMMITMENTS**

As of June 30, 2017, the District had the following contractual commitments outstanding related to a stadium project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2017</u>	<u>Remaining Contract Amount</u>
Maumee Bay Turf Center	\$ 584,274	\$ 534,848	\$ 49,426
The Knoch Corp.	<u>640,800</u>	<u>151,470</u>	<u>489,330</u>
 Total	 <u>\$ 1,225,074</u>	 <u>\$ 686,318</u>	 <u>\$ 538,756</u>

**NOTE 25 - SUBSEQUENT EVENTS**

On July 25, 2017, the District issued Refunding Bonds, Series 2017A, in the amount of \$9,171,127. These bonds bear variable interest rates and mature on December 1, 2027.

On August 10, 2017, the District issued Refunding Bonds, Series 2017B, in the amount of \$4,470,000. These bonds bear variable interest rates and mature on December 1, 2021.

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 FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.18312400%	0.18338230%	0.18367600%	0.18367600%
District's proportionate share of the net pension liability	\$ 13,402,987	\$ 10,463,972	\$ 9,295,738	\$ 10,922,622
District's covered-employee payroll	\$ 5,793,629	\$ 5,520,766	\$ 5,337,258	\$ 5,914,379
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	231.34%	189.54%	174.17%	184.68%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.



**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 FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.18694122%	0.18443753%	0.18018794%	0.18018794%
District's proportionate share of the net pension liability	\$ 62,574,861	\$ 50,973,139	\$ 43,827,943	\$ 52,207,559
District's covered-employee payroll	\$ 20,069,436	\$ 19,564,650	\$ 18,410,231	\$ 20,615,746
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.79%	260.54%	238.06%	253.24%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 871,856	\$ 811,108	\$ 727,637	\$ 739,744
Contributions in relation to the contractually required contribution	<u>(871,856)</u>	<u>(811,108)</u>	<u>(727,637)</u>	<u>(739,744)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,227,543	\$ 5,793,629	\$ 5,520,766	\$ 5,337,258
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 818,550	\$ 827,942	\$ 840,790	\$ 834,956	\$ 882,434	\$ 915,716
<u>(818,550)</u>	<u>(827,942)</u>	<u>(840,790)</u>	<u>(834,956)</u>	<u>(882,434)</u>	<u>(915,716)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,914,379	\$ 6,155,703	\$ 6,688,862	\$ 6,166,588	\$ 8,967,825	\$ 9,325,010
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,906,377	\$ 2,809,721	\$ 2,739,051	\$ 2,393,330
Contributions in relation to the contractually required contribution	<u>(2,906,377)</u>	<u>(2,809,721)</u>	<u>(2,739,051)</u>	<u>(2,393,330)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,759,836	\$ 20,069,436	\$ 19,564,650	\$ 18,410,231
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,680,047	\$ 2,730,881	\$ 2,849,941	\$ 2,812,311	\$ 2,649,776	\$ 2,611,559
<u>(2,680,047)</u>	<u>(2,730,881)</u>	<u>(2,849,941)</u>	<u>(2,812,311)</u>	<u>(2,649,776)</u>	<u>(2,611,559)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,615,746	\$ 21,006,777	\$ 21,922,623	\$ 21,633,162	\$ 20,382,892	\$ 20,088,915
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, 2017

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements 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, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Receipts</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	\$677,716	\$708,341
		123,578	107,516
Total Special Education - Grants to States		801,294	815,857
Special Education - Preschool Grants	84.173	14,844	14,844
Total Special Education Cluster		816,138	830,701
Title I Grants to Local Educational Agencies	84.010	313,989	421,469
		48,674	47,097
Total Title I Grants to Local Educational Agencies		362,663	468,566
Supporting Effective Instruction State Grant	84.367	81,971	96,932
		6	6
Total Supporting Effective Instruction State Grant		81,977	96,938
Career and Technical Education - Basic Grants to States	84.048	151,968	153,855
		27,241	21,914
Total Career and Technical Education - Basic Grants to States		179,209	175,769
Total U.S. Department of Education		<b>1,439,987</b>	<b>1,571,974</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	459,591	459,591
Non-Cash Assistance		109,381	109,381
Total National School Lunch Program		568,972	568,972
School Breakfast Program	10.553	79,129	79,129
Total Child Nutrition Cluster		648,101	648,101
State Administrative Expenses for Child Nutrition	10.560	569	569
Total U.S. Department of Agriculture		<b>648,670</b>	<b>648,670</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$2,088,657</b>	<b>\$2,220,644</b>

*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  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED June 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of the Wadsworth City School District, Medina County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2018.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-002 to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***District's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

***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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect the Wadsworth City School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the 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 its major federal program for the year ended June 30, 2017.

***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 the Uniform Guidance, 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 control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program'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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2018

**WADSWORTH CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies, CFDA 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

**FINDING NUMBER 2017-001**

**Noncompliance Finding**

**Finding For Recovery Resolved Under Audit**

The collective bargaining agreement between the District and Wadsworth Education Association, Appendix F states, "Hourly Rate: Persons employed as hourly tutors shall be paid an hourly rate in accordance with their training experience on the negotiated Hourly Tutor Rate Schedules."

Due to a clerical error, the District paid Kathryn Witmer, Title I Tutor, a higher hourly rate for her training experience than stated on the negotiated Hourly Tutor Rate Schedule. This error resulted in a \$785 overpayment to her for FY2017. \$770 was charged to the Title I Federal Grant Fund with the remaining \$15 charged to the General Fund.

In accordance with the above facts, and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Kathryn Witmer in the amount of \$785 and in favor of Wadsworth City School District's Title I Fund in the amount of \$770 and general fund in the amount of \$15.

The District and Ms. Witmer signed an agreement for repayment of the Finding on March 8, 2018 for \$44 to be deducted from her pay for 18 bi-weekly pays, beginning on December 22, 2017. As of March 9, 2018, \$262 has been repaid to the Title I Federal Grant Fund.

The District should implement procedures to ensure individuals are compensated based upon the correct pay rates in accordance with the appropriate salary schedule, employment contract, and/or collective bargaining agreement.

**Officials' Response:** See Corrective Action Plan

**FINDING NUMBER 2017-002**

**Material Weakness - Financial Statement Adjustments**

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine accuracy of the District's financial statement transactions and balances for financial reporting.

In the Building Fund opinion unit, contracts payable was understated by \$209,746 and corresponding capital outlay expenses were understated by the same amount. The error was due to omission of a contract payable at fiscal year-end and was adjusted to the financial statements by management.

In addition to the adjustments listed above, we also identified an additional misstatement in the amount of \$2,371 that we have brought to the District's attention.

Failure to accurately record accounting transactions may result in inaccurate financial reporting.

The District should exercise due care when posting GAAP transactions to help ensure the GAAP journal entries are correct. Management should also review the draft GAAP journal entries and financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid GAAP financial statement errors and help ensure more accurate financial reporting.

**Official's Response:** See Corrective Action Plan

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

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**Treasurer's Office**

524 Broad Street  
Wadsworth Ohio 44281

Phone: 330-336-3571  
Fax: 330-336-6811

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**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	A repayment agreement was entered into between Kathryn Witmer and Wadsworth CSD. Said overpayment will be paid back to the school district by August of 2018. In addition, the District has implemented a review process for contracts that are entered into USPS by hand. Such is the case with tutors.	Completed	D. Beeman
2017-002	District will review outstanding contracts related to when the work was completed and not necessarily the invoice date and assure contracts payable are included in the GAAP journal entries in the future. An adjusting entry will be made to the GAAP work papers.	Completed	D. Beeman, Julian & Grube

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# Dave Yost • Auditor of State

**WADSWORTH CITY SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 22, 2018**