

**CITY OF WORTHINGTON  
FRANKLIN COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2012

**MOLLY ROBERTS, FINANCE DIRECTOR**





# Dave Yost • Auditor of State

City Council  
City of Worthington  
6550 N. High Street  
Worthington, OH 43085

We have reviewed the *Independent Auditor's Report* of the City of Worthington, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

September 4, 2014

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**CITY OF WORTHINGTON  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

City of Worthington  
Franklin County  
6550 North High Street  
Worthington, Ohio 43085

To the Members of Council and Mayor:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City of Worthington'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 City of Worthington'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 City of Worthington's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of December 31, 2012, and the respective changes in financial position and the budgetary comparison for the general fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2012, the City of Worthington adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of the City of Worthington'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 City of Worthington's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
July 28, 2014

# **CITY OF WORTHINGTON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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The discussion and analysis of the City of Worthington's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for 2012 are as follows:**

- ❑ Net position increased \$1,068,244 which represents a 2.2% increase from 2011.
- ❑ General revenues accounted for \$26.4 million in revenue or 85.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4.5 million or 14.6% of total revenues of \$30.9 million.
- ❑ The City had \$29.8 million in expenses related to governmental activities; only \$4.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$26.4 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$26.2 million in revenues and \$23.3 million in expenditures. The general fund's fund balance increased \$2,320,003 to \$7,470,338.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.



# ***CITY OF WORTHINGTON, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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## **Government-Wide Financial Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City reflect the following category of activities:

- ***Governmental Activities*** – All of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation, general government, interest and fiscal charges, and other expenditures.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

***Governmental Funds*** – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City'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 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 financial statements.

***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

# ***CITY OF WORTHINGTON, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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## **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison of the City's net position as of December 31, 2012 and 2011:

	Governmental Activities	
	2012	2011
Current and Other Assets	\$23,487,674	\$21,332,689
Capital Assets, Net	39,670,962	40,814,018
Total Assets	63,158,636	62,146,707
Deferred Outflows of Resources	363,169	403,522
Long-term Debt Outstanding	9,945,540	10,200,543
Other Liabilities	2,185,225	1,963,207
Total Liabilities	12,130,765	12,163,750
Deferred Inflows of Resources	2,512,148	2,575,831
Net Position		
Net Investment in Capital Assets	31,344,906	32,299,018
Restricted	2,677,256	1,681,322
Unrestricted	14,856,730	13,830,308
Total Net Position	\$48,878,892	\$47,810,648

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# CITY OF WORTHINGTON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

**Changes in Net Position** – The following table shows the changes in net position for the fiscal years 2012 and 2011:

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for Services and Sales	\$3,625,799	\$3,801,208
Operating Grants and Contributions	889,805	1,350,663
Total Program Revenues	<u>4,515,604</u>	<u>5,151,871</u>
General revenues:		
Property Taxes	2,493,851	2,527,234
Municipal Income Taxes	20,991,494	20,286,588
Other Local Taxes	185,760	170,836
Intergovernmental, Unrestricted	2,164,722	1,365,348
Investment Earnings	32,198	101,432
Miscellaneous	494,331	540,794
Total General Revenues	<u>26,362,356</u>	<u>24,992,232</u>
Total Revenues	<u>30,877,960</u>	<u>30,144,103</u>
Program Expenses		
Security of Persons and Property	11,091,440	10,653,113
Public Health and Welfare Services	96,968	61,674
Leisure Time Activities	4,630,827	4,407,676
Community Environment	1,013,734	899,821
Basic Utility Services	1,878,232	1,901,240
Transportation	4,112,457	3,770,597
General Government	6,660,329	5,704,209
Interest and Fiscal Charges	325,729	357,753
Total Expenses	<u>29,809,716</u>	<u>27,756,083</u>
Change in Net Position	1,068,244	2,388,020
Beginning Net Position	<u>47,810,648</u>	<u>45,422,628</u>
Ending Net Position	<u>\$48,878,892</u>	<u>\$47,810,648</u>

### Governmental Activities

Net position of the City's governmental activities increased \$1,068,244. The increase in unrestricted intergovernmental revenues can be attributed to an increase in estate taxes. Increases in income taxes can be attributed to a 0.5% increase in the income tax rate. Overall expenses increased approximately 7%. Increases in security of persons and property can be attributed to increases in salaries, benefits and insurance costs. An increase in health insurance costs resulted in the increase in general government.

# CITY OF WORTHINGTON, OHIO

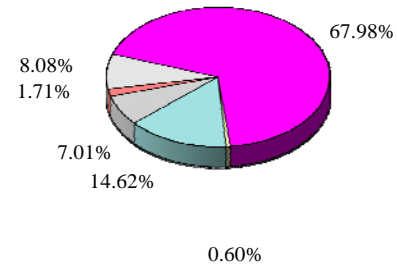
## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

The City also receives an income tax and a hotel/motel tax. The income tax is based on 2.5% of all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. The hotel/motel tax is based on 6.00% of all lodging revenues.

Property taxes and income taxes made up 8.08% and 67.98% respectively of revenues for governmental activities for the City in fiscal year 2012, while other local taxes made up 0.60%. The City's reliance upon tax revenues is demonstrated by the following graph indicating 76.66% of total revenues from general tax revenues:

Revenue Sources	2012	Percent of Total
Property Taxes	\$2,493,851	8.08%
Income Taxes	20,991,494	67.98%
Other Local Taxes	185,760	0.60%
Program Revenues	4,515,604	14.62%
Intergovernmental, Unrestricted	2,164,722	7.01%
General Other	526,529	1.71%
<b>Total Revenue</b>	<b>\$30,877,960</b>	<b>100.00%</b>



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$17,139,690, which is an increase from last year's balance of \$14,740,623. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2012 and 2011:

	Fund Balance December 31, 2012	Fund Balance December 31, 2011	Increase (Decrease)
General	\$7,470,338	\$5,150,335	\$2,320,003
Capital Improvement	7,133,565	7,088,896	44,669
Other Governmental	2,535,787	2,501,392	34,395
<b>Total</b>	<b>\$17,139,690</b>	<b>\$14,740,623</b>	<b>\$2,399,067</b>

# CITY OF WORTHINGTON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

**General Fund** – The City's General Fund balance change is due to various reasons. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2012 Revenues	2011 Revenues	Increase (Decrease)
Property Taxes	\$2,250,062	\$2,277,600	(\$27,538)
Municipal Income Taxes	18,319,812	17,100,122	1,219,690
Other Local Taxes	185,760	170,836	14,924
Intergovernmental Revenues	2,088,047	1,443,932	644,115
Charges for Services	2,409,700	2,513,965	(104,265)
Licenses, Permits and Fees	437,632	403,710	33,922
Investment Earnings	31,988	101,361	(69,373)
Special Assessments	34,422	15,200	19,222
Fines and Forfeitures	181,126	172,230	8,896
All Other Revenue	215,585	255,496	(39,911)
<b>Total</b>	<b>\$26,154,134</b>	<b>\$24,454,452</b>	<b>\$1,699,682</b>

General Fund revenues in 2012 increased 6.9% when compared with the prior year. The increase in intergovernmental revenues can be attributed to an increase in estate taxes. Increases in income taxes can be attributed to a 0.5% increase in the income tax rate.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Security of Persons and Property	\$9,846,653	\$9,633,915	\$212,738
Public Health and Welfare Services	96,968	61,674	35,294
Leisure Time Activities	3,111,984	3,146,393	(34,409)
Community Environment	867,410	872,003	(4,593)
Basic Utility Services	1,716,041	1,770,875	(54,834)
Transportation	1,623,952	1,502,205	121,747
General Government	6,076,123	5,341,457	734,666
<b>Total</b>	<b>\$23,339,131</b>	<b>\$22,328,522</b>	<b>\$1,010,609</b>

General Fund expenditures increased \$1,010,609 over the prior year. Costs for salaries and health insurance within the police and fire departments contributed to the increase in security of persons and property while health insurance increases resulted in the increase in general government and transportation.

**Capital Improvement Fund** – The City's Capital Improvement Fund balance remained stable, increasing \$44,669 or less than 1%. Revenues remained consistent with the prior year. A ladder truck purchase in the prior year resulted in the subsequent decrease in capital expenditures in 2012.

# CITY OF WORTHINGTON, OHIO

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## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

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

During the course of fiscal year 2012 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$25.0 million did not change from original budget estimates. Actual budget basis revenues were 4% higher than final estimates due to increases in income tax and estate tax collections. Original and final budgeted expenditures were not significantly different. Actual budget basis expenditures were 3% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2012 the City had \$39,670,962 net of accumulated depreciation invested in land, construction in progress, land improvements, buildings, infrastructure, equipment and furniture, and vehicles. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$4,855,754	\$4,855,754	\$0
Construction In Progress	1,372,645	2,534,933	(1,162,288)
Land Improvements	164,786	164,786	0
Buildings	20,290,202	19,790,706	499,496
Infrastructure	33,753,898	32,601,460	1,152,438
Equipment and Furniture	10,108,745	9,942,525	166,220
Vehicles	4,896,713	4,883,966	12,747
Less: Accumulated Depreciation	(35,771,781)	(33,960,112)	(1,811,669)
Totals	<u>\$39,670,962</u>	<u>\$40,814,018</u>	<u>(\$1,143,056)</u>

The primary increases occurred in infrastructure, which can be attributed to street improvement projects, upgrades to the tornado warning system and playground and tennis court improvements.

As of December 31, 2012, the City had contractual commitments of \$1,681,013 related to street improvements, equipment replacements and building improvements. Additional information on the City's capital assets can be found in Note 8.

# **CITY OF WORTHINGTON, OHIO**

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## **Management's Discussion and Analysis For the Year Ended December 31, 2012**

**Unaudited**

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### **Debt**

At December 31, 2012, the City had \$6,345,000 in bonds outstanding, \$615,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds	\$6,345,000	\$6,915,000
Bond Anticipation Notes	1,860,000	1,600,000
OPWC Loan	121,056	128,866
Compensated Absences	1,619,484	1,556,677
Total Governmental Activities	<u>\$9,945,540</u>	<u>\$10,200,543</u>

Additional information on the City's long-term debt can be found in Note 13.

### **ECONOMIC FACTORS**

In 2012, the City of Worthington continued its efforts to build a robust, multi-faceted, and professional economic development program. The City's long-standing work to maintain relationships with existing businesses was augmented by the staff's efforts to bolster internal processes, as well as tracking and reporting economic performance metrics. Although previous years were marked by higher volumes of grant activities – using the City's Venture Grant program to attract businesses to Worthington – the City emphasized other elements of its economic development functions during 2012. Thus, staff resources were devoted to assisting in the reorganization of the downtown retailers' association (now affiliated with the national Main Street Program), tracking existing tax abatement performance, and inducing new investment through the use of tax increment financing exemptions (TIF).

Understanding that Worthington's economic sustainability hinges on the re-use and redevelopment of its commercial property inventory, staff has been working aggressively to locate new investors and public funding mechanisms to encourage new commercial growth.

Such efforts are beginning to bear fruit, as there has been a recent uptick in redevelopment activities. Throughout 2012, the City continued to monitor and tweak its TIF agreement with a local development team for the redevelopment of 140,000 square feet of retail space comprising the former Worthington Square Mall (now remodeled and rebranded as the Shops at Worthington Place). In late 2012, Worthington Industries, a Fortune 1000 company, purchased the building it had been leasing for its headquarters operations; plans are being readied to improve the building and move at least 100 additional corporate jobs to the site. And the City began working with a development team for the construction of 200 apartments, 23,000 square feet of Class A office space, and a parking deck to the immediate west of the mall property (construction scheduled to begin summer 2013).

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Molly Roberts, Director of Finance for the City of Worthington.

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# CITY OF WORTHINGTON, OHIO

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## Statement of Net Position December 31, 2012

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Pooled Cash and Investments	\$ 15,251,082
Receivables:	
Taxes	6,462,366
Accounts	252,222
Intergovernmental	933,220
Interest	8,455
Special Assessments	95,781
Loans	175,000
Prepaid Items	88,437
Restricted Assets:	
Cash and Cash Equivalents	992
Cash and Cash Equivalents with Fiscal Agent	220,119
Capital Assets:	
Capital Assets Not Being Depreciated	6,228,399
Capital Assets Being Depreciated, Net	33,442,563
<b>Total Assets</b>	<b>63,158,636</b>
<b>Deferred Outflows of Resources:</b>	
Deferred Charge on Debt Refunding	363,169
<b>Liabilities:</b>	
Accounts Payable	374,605
Accrued Wages and Benefits	295,316
Intergovernmental Payable	953,577
Contracts Payable	413,068
Retainage Payable	112,790
Matured Bonds & Interest Payable	166
Accrued Interest Payable	35,703
Noncurrent liabilities:	
Due within one year	1,159,526
Due in more than one year	8,786,014
<b>Total Liabilities</b>	<b>12,130,765</b>
<b>Deferred Inflows of Resources:</b>	
Property Tax Levy for Next Fiscal Year	2,512,148
<b>Net Position:</b>	
Net Investment in Capital Assets	31,344,906
Restricted For:	
Capital Projects	773,800
Debt Service	974,652
Other Purposes	928,804
Unrestricted	14,856,730
<b>Total Net Position</b>	<b>\$ 48,878,892</b>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

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## Statement of Activities For the Year Ended December 31, 2012

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	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 11,091,440	\$ 1,348,530	\$ 26,074	\$ (9,716,836)
Public Health and Welfare Services	96,968	0	0	(96,968)
Leisure Time Activities	4,630,827	1,998,211	0	(2,632,616)
Community Environment	1,013,734	182,840	0	(830,894)
Basic Utility Services	1,878,232	96,218	0	(1,782,014)
Transportation	4,112,457	0	863,731	(3,248,726)
General Government	6,660,329	0	0	(6,660,329)
Interest and Fiscal Charges	325,729	0	0	(325,729)
<b>Total Governmental Activities</b>	<b>\$ 29,809,716</b>	<b>\$ 3,625,799</b>	<b>\$ 889,805</b>	<b>\$ (25,294,112)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				2,246,745
Bond Retirement				91,949
Police Pension				155,157
Municipal Income Taxes				20,991,494
Other Local Taxes				185,760
Intergovernmental, Unrestricted				2,164,722
Investment Earnings				32,198
Miscellaneous				494,331
Total General Revenues				26,362,356
Change in Net Position				1,068,244
Net Position Beginning of Year				47,810,648
Net Position End of Year				\$ 48,878,892

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

## Balance Sheet Governmental Funds December 31, 2012

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled Cash and Investments	\$ 5,684,751	\$ 6,862,170	\$ 2,704,161	\$ 15,251,082
Receivables:				
Taxes	5,696,106	523,748	242,512	6,462,366
Accounts	205,784	0	46,438	252,222
Intergovernmental	510,503	0	422,717	933,220
Interest	8,455	0	0	8,455
Special Assessments	0	95,781	0	95,781
Loans	0	175,000	0	175,000
Interfund Loans Receivable	0	153,738	0	153,738
Prepaid Items	34,185	54,252	0	88,437
Restricted Assets:				
Cash and Cash Equivalents	0	0	992	992
Cash and Cash Equivalents with Fiscal Agent	0	219,953	166	220,119
<b>Total Assets</b>	<b>\$ 12,139,784</b>	<b>\$ 8,084,642</b>	<b>\$ 3,416,986</b>	<b>\$ 23,641,412</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 340,188	\$ 0	\$ 34,417	\$ 374,605
Accrued Wages and Benefits Payable	279,380	0	15,936	295,316
Intergovernmental Payable	764,528	26,568	162,481	953,577
Contracts Payable	0	413,068	0	413,068
Retainage Payable	0	112,790	0	112,790
Matured Bonds and Interest Payable	0	0	166	166
Interfund Loans Payable	0	0	153,738	153,738
Compensated Absences Payable	69,890	0	0	69,890
<b>Total Liabilities</b>	<b>1,453,986</b>	<b>552,426</b>	<b>366,738</b>	<b>2,373,150</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	937,378	398,651	280,395	1,616,424
Property Tax Levy for Next Fiscal Year	2,278,082	0	234,066	2,512,148
<b>Total Deferred Inflows of Resources</b>	<b>3,215,460</b>	<b>398,651</b>	<b>514,461</b>	<b>4,128,572</b>
<b>Fund Balances:</b>				
Nonspendable	34,185	54,252	0	88,437
Restricted	0	0	2,152,566	2,152,566
Committed	579,337	7,079,313	420,226	8,078,876
Assigned	126,830	0	0	126,830
Unassigned	6,729,986	0	(37,005)	6,692,981
<b>Total Fund Balances</b>	<b>7,470,338</b>	<b>7,133,565</b>	<b>2,535,787</b>	<b>17,139,690</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,139,784</b>	<b>\$ 8,084,642</b>	<b>\$ 3,416,986</b>	<b>\$ 23,641,412</b>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

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## *Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2012*

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<b>Total Governmental Fund Balances</b>		\$	17,139,690
<i>Amounts reported for governmental activities in the statement of net position are different because</i>			
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.			39,670,962
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			1,616,424
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Various Purpose Bond Anticipation Notes Payable	(1,860,000)		
General Obligation Bonds Payable	(6,345,000)		
Unamortized Deferred Loss on Refunding	363,169		
OPWC Loan Payable	(121,056)		
Compensated Absences Payable	(1,549,594)		
Accrued Interest Payable	(35,703)		
			<u>(9,548,184)</u>
<b><i>Net Position of Governmental Activities</i></b>		\$	<u>48,878,892</u>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2012

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 2,250,062	\$ 0	\$ 247,446	\$ 2,497,508
Municipal Income Taxes	18,319,812	2,903,873	0	21,223,685
Other Local Taxes	185,760	0	0	185,760
Intergovernmental Revenues	2,088,047	265,848	849,451	3,203,346
Charges for Services	2,409,700	0	888,362	3,298,062
Licenses, Permits and Fees	437,632	0	0	437,632
Investment Earnings	31,988	0	210	32,198
Special Assessments	34,422	23,885	0	58,307
Fines and Forfeitures	181,126	0	17,267	198,393
All Other Revenue	215,585	0	8,490	224,075
<b>Total Revenue</b>	<b>26,154,134</b>	<b>3,193,606</b>	<b>2,011,226</b>	<b>31,358,966</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	9,846,653	0	551,967	10,398,620
Public Health and Welfare Services	96,968	0	0	96,968
Leisure Time Activities	3,111,984	0	754,366	3,866,350
Community Environment	867,410	0	345	867,755
Basic Utility Services	1,716,041	0	161,964	1,878,005
Transportation	1,623,952	0	779,658	2,403,610
General Government	6,076,123	387,985	10,539	6,474,647
Capital Outlay	0	2,362,059	0	2,362,059
Debt Service:				
Principal Retirement	0	7,810	2,170,000	2,177,810
Interest and Fiscal Charges	0	0	294,075	294,075
<b>Total Expenditures</b>	<b>23,339,131</b>	<b>2,757,854</b>	<b>4,722,914</b>	<b>30,819,899</b>
Excess (Deficiency) of Revenues Over Expenditures	2,815,003	435,752	(2,711,688)	539,067
<b>Other Financing Sources (Uses):</b>				
Sale of Notes	0	360,000	1,500,000	1,860,000
Transfers In	0	150,000	1,396,083	1,546,083
Transfers Out	(495,000)	(901,083)	(150,000)	(1,546,083)
<b>Total Other Financing Sources (Uses)</b>	<b>(495,000)</b>	<b>(391,083)</b>	<b>2,746,083</b>	<b>1,860,000</b>
Net Change in Fund Balances	2,320,003	44,669	34,395	2,399,067
<b>Fund Balances at Beginning of Year</b>	<b>5,150,335</b>	<b>7,088,896</b>	<b>2,501,392</b>	<b>14,740,623</b>
<b>Fund Balances End of Year</b>	<b>\$ 7,470,338</b>	<b>\$ 7,133,565</b>	<b>\$ 2,535,787</b>	<b>\$ 17,139,690</b>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

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## ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2012***

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Net Change in Fund Balances - Total Governmental Funds \$ 2,399,067

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

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

Capital Outlay	906,149	
Depreciation Expense	(2,049,205)	(1,143,056)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (481,006)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position.

Long Term Note Issuance		(1,860,000)
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bond Principal Payment	570,000	
Deferred Loss on Bond Refunding	(40,353)	
OPWC Loan Principal Payment	7,810	
Long Term Note Principal Payment	1,600,000	2,137,457

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 8,699

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

Compensated Absences		7,083
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***Change in Net Position of Governmental Activities*** \$ 1,068,244

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,224,018	\$ (275,982)
Municipal Income Taxes	17,912,507	17,912,507	18,175,463	262,956
Other Local Taxes	185,000	185,000	185,410	410
Intergovernmental Revenue	1,267,300	1,267,300	2,114,075	846,775
Charges for Services	2,005,000	2,005,000	2,392,178	387,178
Licenses, Permits and Fees	460,500	460,500	434,697	(25,803)
Investment Earnings	100,000	100,000	47,502	(52,498)
Special Assessments	100,000	100,000	15,714	(84,286)
Fines and Forfeitures	195,000	195,000	185,333	(9,667)
All Other Revenues	300,000	300,000	194,408	(105,592)
Total Revenues	25,025,307	25,025,307	25,968,798	943,491
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	10,084,336	10,335,502	9,958,583	376,919
Public Health and Welfare Services	66,611	68,270	68,270	0
Leisure Time Activities	3,280,073	3,361,768	3,265,035	96,733
Community Environment	729,642	747,815	717,588	30,227
Basic Utility Services	1,870,486	1,917,073	1,869,309	47,764
Transportation	1,640,871	1,681,739	1,616,598	65,141
General Government	6,065,901	6,216,983	6,100,382	116,601
Total Expenditures	23,737,920	24,329,150	23,595,765	733,385
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,287,387	696,157	2,373,033	1,676,876
<b>Other Financing Sources (Uses):</b>				
Transfers In	200,000	200,000	100,000	(100,000)
Transfers Out	(820,000)	(820,000)	(820,000)	0
Other Financing Uses	(53,000)	(53,000)	(50,000)	3,000
Total Other Financing Sources (Uses):	(673,000)	(673,000)	(770,000)	(97,000)
Net Change in Fund Balance	614,387	23,157	1,603,033	1,579,876
Fund Balance at Beginning of Year	2,393,993	2,393,993	2,393,993	0
Prior Year Encumbrances	549,102	549,102	549,102	0
Fund Balance at End of Year	\$ 3,557,482	\$ 2,966,252	\$ 4,546,128	\$ 1,579,876

See accompanying notes to the basic financial statements

# ***CITY OF WORTHINGTON, OHIO***

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## ***Statement of Assets and Liabilities Fiduciary Funds December 31, 2012***

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 78,578
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>15,306</u>
<b>Total Assets</b>	<u>93,884</u>
<b>Liabilities:</b>	
Intergovernmental Payable	25,687
Due to Others	<u>68,197</u>
<b>Total Liabilities</b>	<u>\$ 93,884</u>

See accompanying notes to the basic financial statements



# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Worthington (“the City”) is a charter municipal corporation operating under the laws of the State of Ohio. A charter was first adopted in November, 1956, before the Village of Worthington became a City. The City was incorporated on November 8, 1960.

The municipal government provided by the charter is known as a Council-Manager form of government. Legislative power is vested in a seven-member council, each elected to four-year terms. The Council appoints the Mayor and the City Manager. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department heads and employees, except as otherwise provided in the charter.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

#### **A. Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds and departments that are not legally separate from the City. The City provides various services including police protection, fire protection, parks and recreation (including the community center), planning, zoning, street maintenance and repair, community development, and public health and welfare. These activities comprise the primary governmental unit of the City and are directly responsible to Council and the City Manager. Therefore, they are included in the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City does not have any component units included in its reporting entity.

The City of Worthington Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor is an appointed City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **A. Reporting Entity** (Continued)

The City is a member of the Central Ohio Health Care Consortium, (the “Pool”) a risk sharing self-insurance pool which provides health insurance to the City. The Pool, which commenced business on January 1, 1992, has nine members consisting of various cities, villages, and townships. The members have entered into an irrevocable agreement to remain a member of the Pool for a minimum of three years. The Consortium established a new Pool, effective January 1, 1995, to continue its self-insurance program. The new Pool retained the major attributes of the original Pool. The Consortium transferred an amount from the original Pool Trust account to the new Pool Trust account in 1995, which was equal to a total of each member’s average monthly contribution. The Consortium elected to distribute excess contributions from the original Pool to its participating members. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters, and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City committed to a seventh three-year term that began on January 1, 2010. The City has no ongoing financial responsibility other than the three-year minimum membership. See Note 12.

#### **B. Basis of Presentation - Fund Accounting**

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories of governmental and fiduciary.

#### ***Governmental Fund Types***

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of “financial flow” (sources, uses and balances of financial resources). The following are the City's major governmental funds:

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **B. Basis of Presentation - Fund Accounting (Continued)**

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Capital Improvement Fund - This fund is used to account for financial resources to be used for the acquisition of capital assets and the construction of major capital facilities.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including 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 capital projects.

#### ***Fiduciary Funds***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for the mayor's court and other funds that collect fees and charges on behalf of other entities.

#### **C. Basis of Presentation – Financial Statements**

***Government-wide Financial Statements*** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. The governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Basis of Presentation – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the City. 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

#### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenues considered susceptible to accrual at year end include income taxes, interest on investments and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenues, including licenses, permits, certain charges for services, fines and forfeitures, and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting** (Continued)

Special assessment installments and related accrued interest, which are measurable but not available at December 31, 2012 are recorded as deferred inflows of resources.

Property taxes measurable as of December 31, 2012, but which are not intended to finance 2012 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources as further described in Note 5.

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The City did not adopt a budget for the Subdivision Trust Special Revenue Fund because it is classified as an agency fund for cash reporting. This fund was classified as a special revenue fund for GAAP reporting. The legal level of budgetary control is at the object level (personal services and other expenditures) within each department. Budgetary modifications may only be made by resolution of the City Council.

##### **1. Tax Budget**

Prior to July 20 of each year, the City must submit to the County Budget Commission a Council-adopted operating budget of the City for the year commencing the following January 1. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

##### **2. Estimated Resources**

Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended certificate issued during 2012.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process** (Continued)

##### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. Appropriations may not exceed current estimated resources, as certified in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" represent the final appropriation amounts, including all amendments and modifications.

##### **4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

##### **5. Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and need not be reappropriated.

##### **6. Budgetary Basis of Accounting**

While reporting financial position and results of operation on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" 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).

# CITY OF WORTHINGTON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **E. Budgetary Process** (Continued)

##### 6. Budgetary Basis of Accounting (Continued)

- 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. Outstanding year end encumbrances are treated as expenditures (budget basis).
- d. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$2,320,003
Increase (Decrease):	
Accrued Revenues at December 31, 2012 received during 2013	(3,216,729)
Accrued Revenues at December 31, 2011 received during 2012	3,057,437
Accrued Expenditures at December 31, 2012 paid during 2013	1,453,986
Accrued Expenditures at December 31, 2011 paid during 2012	(1,302,982)
2011 Prepays for 2012	39,131
2012 Prepays for 2013	(34,185)
Outstanding Encumbrances	(525,787)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(187,841)
Budget Basis	<u>\$1,603,033</u>

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

Investment earnings of \$21,302 earned by other funds were credited to the General Fund as required by State Statute.

#### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2012.

#### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### **I. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500.



# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **I. Capital Assets and Depreciation** (Continued)

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost. The capital asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

##### **2. Depreciation**

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	30
Buildings	20 - 50
Infrastructure	15 - 40
Equipment and Furniture	5 - 20
Vehicles	3 - 15

#### **J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Notes/ Bonds	General Obligation Bond Retirement Fund
OPWC Loan	Capital Improvement Fund
Compensated Absences	General Fund, Street Maintenance and Repair Fund, State Highway Improvement Fund, Water Fund, Sanitary Sewer Fund, Parks and Recreation Fund

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **K. Compensated Absences**

The City accrues a liability for compensated absences in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate employees for the benefits through time off or some other means. Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

City employees earn vacation leave at varying rates depending upon the length of service. City employees can earn compensatory time for any work in excess of their normal hours of work per day in lieu of overtime pay. Employees earn compensatory time at the rate of one and one-half times for overtime hours worked.

City employees earn sick leave at the rate of ten hours per month. Sick leave may be accumulated and carried forward from year to year without limit. An employee who is to be separated from City service through retirement, layoff, or resignation in good standing after completion of fifteen years continuous service with the City of Worthington and has accumulated more than 232 hours of sick leave, is eligible to be paid for thirty percent of the total accrued hours up to a maximum of 640 hours paid.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable available financial resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

#### **L. Net Position**

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes primarily consists of amounts restricted for municipal motor vehicle tax, court clerk computer funds and parks and recreation.

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

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **M. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

#### **N. Intergovernmental Revenues**

In governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

#### **O. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

#### **P. Interfund Assets/Liabilities**

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From/To Other Funds" on the balance sheet. The City had no "Due From/Other Funds" at December 31, 2012. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

#### **Q. Restricted Assets**

Cash with fiscal agent is classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

#### **R. Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **R. Fund Balances** (Continued)

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. 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.

#### **S. Estimates**

The preparation of financial statements in conformity with GAAP 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.

#### **T. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. 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.

# **CITY OF WORTHINGTON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **T. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2012 the City implemented GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

# CITY OF WORTHINGTON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$34,185	\$54,252	\$0	\$88,437
Total Nonspendable	<u>34,185</u>	<u>54,252</u>	<u>0</u>	<u>88,437</u>
Restricted:				
Street Maintenance and Repair	0	0	462,936	462,936
Law Enforcement	0	0	109,432	109,432
Court Improvements	0	0	190,606	190,606
Building Code Inspection	0	0	12,453	12,453
Debt Retirement	0	0	1,001,990	1,001,990
Capital Improvements	0	0	375,149	375,149
Total Restricted	<u>0</u>	<u>0</u>	<u>2,152,566</u>	<u>2,152,566</u>
Committed:				
Economic Development	579,337	0	0	579,337
Parks and Recreation	0	0	187,951	187,951
Water Public Works	0	0	67,772	67,772
Sewer Public Works	0	0	14,234	14,234
Technology Improvements	0	0	80,000	80,000
Bicentennial Celebration	0	0	70,269	70,269
Capital Improvements	0	7,079,313	0	7,079,313
Total Committed	<u>579,337</u>	<u>7,079,313</u>	<u>420,226</u>	<u>8,078,876</u>
Assigned:				
Other Purposes	126,830	0	0	126,830
Total Assigned	<u>126,830</u>	<u>0</u>	<u>0</u>	<u>126,830</u>
Unassigned (Deficits):	6,729,986	0	(37,005)	6,692,981
Total Fund Balances	<u>\$7,470,338</u>	<u>\$7,133,565</u>	<u>\$2,535,787</u>	<u>\$17,139,690</u>

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. The City has a formal adopted investment policy, with the main objective being the preservation of capital and the protection of investment principal.

Statutes require the classification of funds held by the City into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$7,202,150 and the bank balance was \$7,509,643. Federal depository insurance covered \$2,453,905 of the bank balance and \$5,055,738 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,055,738</u>
Total Balance	<u><u>\$5,055,738</u></u>

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# CITY OF WORTHINGTON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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### NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### **B. Investments**

The City's investments at December 31, 2012 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$1,216,496	AAAm <sup>1</sup>	\$1,216,496	\$0
Government Money Market	32,756	AA+ <sup>1</sup>	32,756	0
Negotiable CD's	<u>7,114,675</u>	AAA <sup>2</sup>	<u>3,873,672</u>	<u>3,241,003</u>
Total Investments	<u>\$8,363,927</u>		<u>\$5,122,924</u>	<u>\$3,241,003</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> All are fully FDIC insured and therefore have an implied AAA credit rating

*Investment Credit Risk* – The City has no credit risk policy beyond the requirements of State Statute.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The City does not have a policy regarding interest rate risk.

*Concentration of Credit Risk* – The City limits the amount the City may invest in one issuer to 30% of the City's investable funds. Of the City's total investments, 14.5% are STAR Ohio, 0.4% is a Government Obligation Money Market Account, and 85.1% are negotiable certificates of deposit. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

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# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 5 - TAXES**

#### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property and located in the City. Real property taxes (other than public utility) collected during 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing Cities in the County, including the City of Worthington. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2012, was \$5.00 per \$1,000 of assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .50% (5.00 mills) of assessed value.

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# **CITY OF WORTHINGTON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 5 – TAXES (Continued)**

#### **A. Property Taxes (Continued)**

The assessed values of real and public utility tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	\$545,632,420
Public Utility Tangible Personal	<u>7,687,660</u>
Total Assessed Valuation	<u>\$553,320,080</u>

Property taxes receivable represent real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2012 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

#### **B. Income Tax**

The City levies and collects an income tax of 2.5 percent on all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City monthly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

The City entered into an agreement with the Regional Income Tax Agency (R.I.T.A.) for the administration and collection of all City income tax effective July 1, 2002. Collections are distributed twice per month to the City less a 3.0% collection fee. An annual reconciliation is performed each year to determine each community's proportionate share of the collection expense and an adjustment is made at the time of the fixed 3.0% collection fee.

# **CITY OF WORTHINGTON, OHIO**

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## **Notes to the Basic Financial Statements For the Year Ended December 31, 2012**

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### **NOTE 6 - RECEIVABLES**

Receivables at December 31, 2012, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts.

The City also has loans receivable at December 31, 2012 in the amount of \$175,000. This is the result of an interest free loan in the amount of \$600,000 given to Swim Inc. by the City for renovations to the swimming facilities. In 2010 the City passed an ordinance allowing the deferral of principal on the loan for years 2010 and 2011. The balance of the loan will be payable in equal annual installments of \$35,000 on or before December 31 of each year beginning December 2012.

### **NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Fund	Transfers In	Transfers Out
General Fund	\$0	\$495,000
Capital Improvement Fund	150,000	901,083
Nonmajor Governmental Funds	1,396,083	150,000
Total All Funds	<u>\$1,546,083</u>	<u>\$1,546,083</u>

Transfers out of the Capital Improvement Fund were for debt service payments and required public area matching fees. Transfers out of nonmajor governmental funds were for the City's match for street construction projects. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated in the government-wide financial statements.

Individual interfund loan receivable and payable balances at December 31, 2012, were as follows:

	Interfund Loan Receivables	Interfund Loan Payables
Capital Improvement Fund	\$153,738	\$0
Nonmajor Governmental Fund:	0	153,738
Totals	<u>\$153,738</u>	<u>\$153,738</u>

Interfund loan receivable and payable balances are eliminated in the governmental activities column on the statement of net position.

# CITY OF WORTHINGTON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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### NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2012:

**Historical Cost:**

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<b>Capital assets not being depreciated:</b>				
Land	\$4,855,754	\$0	\$0	\$4,855,754
Construction in Progress	2,534,933	393,590	(1,555,878)	1,372,645
	<u>7,390,687</u>	<u>393,590</u>	<u>(1,555,878)</u>	<u>6,228,399</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	164,786	0	0	164,786
Buildings	19,790,706	499,496	0	20,290,202
Infrastructure	32,601,460	1,152,438	0	33,753,898
Equipment and Furniture	9,942,525	249,727	(83,507)	10,108,745
Vehicles	4,883,966	166,776	(154,029)	4,896,713
Total Cost	<u>\$74,774,130</u>	<u>\$2,462,027</u>	<u>(\$1,793,414)</u>	<u>\$75,442,743</u>

**Accumulated Depreciation:**

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Land Improvements	(\$164,787)	\$0	\$0	(\$164,787)
Buildings	(6,137,218)	(425,029)	0	(6,562,247)
Infrastructure	(19,532,047)	(809,017)	0	(20,341,064)
Equipment and Furniture	(6,035,219)	(479,785)	83,507	(6,431,497)
Vehicles	(2,090,841)	(335,374)	154,029	(2,272,186)
Total Depreciation	<u>(\$33,960,112)</u>	<u>(\$2,049,205) *</u>	<u>\$237,536</u>	<u>(\$35,771,781)</u>
<b>Net Value:</b>	<u>\$40,814,018</u>			<u>\$39,670,962</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$511,825
Leisure Time Activities	454,506
Community Environment	17,961
Transportation	1,008,397
General Government	56,516
Total Depreciation Expense	<u>\$2,049,205</u>

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 9 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

#### **A. Ohio Public Employees Retirement System (“OPERS”)**

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$648,642, \$655,982 and \$624,344, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2012 were \$24,997 made by the City and \$17,855 made by the plan members.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

#### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2012, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2012, 2011, and 2010 were \$350,198, \$345,154 and \$347,162 for police and \$524,706, \$534,728 and \$521,674 for firefighters, respectively, which were equal to the required contributions for each year.

### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

#### **A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

#### **A. Ohio Public Employees Retirement System (“OPERS”) (Continued)**

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$269,734, \$262,393 and \$317,374, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

#### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.



## ***CITY OF WORTHINGTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)**

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2012, 2011, and 2010 were \$185,399, \$182,729 and \$183,792 for police and \$205,320, \$209,241 and \$204,133 for firefighters, respectively, which were equal to the required contributions for each year.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 11 - COMPENSATED ABSENCES**

City employees earn sick leave at the rate of ten hours per month. Sick leave may be accumulated and carried forward from year to year without limit. An employee who is to be separated from City service through retirement, layoff, or resignation in good standing after completion of fifteen years continuous service with the City of Worthington and has accumulated more than 232 hours of sick leave, is eligible to be paid for thirty percent of the total accrued hours up to a maximum of 640 hours paid.

City employees earn vacation leave at varying rates depending upon the length of service. City employees can earn compensatory time for any work in excess of their normal hours of work per day in lieu of overtime pay. Employees earn compensatory time at the rate of one and one-half times for overtime hours worked.

At December 31, 2012, the total liability for accumulated unpaid compensated absences reported as long-term obligations of the City was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	24,478	\$756,615
Vacation / Compensatory Time	27,916	862,869
Total	<u>52,394</u>	<u>\$1,619,484</u>

### **NOTE 12 - RISK MANAGEMENT**

#### **A. Insurance**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2012, the City contracted with various insurance agencies for various insurance, which includes the following types of insurance, amount of coverage and the amount of deductible:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$2,000,000	\$5,000
Automobile	1,000,000	500/1,000
Property	59,891,137	5,000
Boiler and Machinery	2,500,000	5,000
Crime	250,000	2,500
Public Officials	1,000,000	10,000
Law Enforcement	1,000,000	10,000
Umbrella	5,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 12 - RISK MANAGEMENT (Continued)**

#### **B. Health Care Benefits**

The City participates in the Central Ohio Health Care Consortium (COHCC), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The COHCC consists of nine political subdivisions that pool risk for basic hospital, surgical and prescription drug coverage. The COHCC is governed by a Board of Directors consisting of one director appointed by each member municipality. The Board elects a chairman, vice-chairman, secretary and treasurer. The Board is responsible for its own financial matters and the COHCC maintains its own books of account. Budgeting and financing of the COHCC are subject to the approval of the Board. The City pays monthly contributions to the COHCC, which are used to purchase excess loss insurance for the COHCC to pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The monthly contribution is determined for each member in accordance with the number of covered officers and employees, and the prior loss experience of the respective member group. The members' contributions represent 110 percent of the expected costs of the COHCC, which will allow the COHCC to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the COHCC's operations. Financial information for the COHCC can be obtained from Jennifer Teal, Treasurer, COHCC, 200 South Hamilton Road, Gahanna, Ohio, 43230.

The COHCC has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the COHCC for medical claims paid to an individual in excess of \$175,000, with an unlimited individual lifetime maximum. The aggregate excess loss coverage has been structured to indemnify the COHCC for aggregate claims paid in excess of \$12,000,255, to a maximum of \$1,000,000 annually. In the event that the losses of the consortium in any year exceeds amounts paid to the COHCC, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past five years.

The City currently has no specified percentage share of the COHCC. The only time at which a percentage share would be calculated occurs if the COHCC votes to terminate ongoing operations. After a vote to terminate the COHCC, the Board would wind-up the COHCC's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the COHCC would continue to pay all claims and expenses until the COHCC's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the COHCC would be paid to the members of the COHCC who are members as of the termination date. The Board would determine the manner in which such surplus funds would be distributed, and would consider the percentage relationship which each member's contributions to the COHCC for the prior three calendar years of the COHCC bore to all members' contributions to the COHCC for that same period. The City's payment for health insurance coverage to COHCC in 2012 was \$2,433,196. Dental, vision and life insurance benefits are also provided. The family and single rates are not gender and age sensitive, and are the same for each class of employees.

# **CITY OF WORTHINGTON, OHIO**

## **Notes to the Basic Financial Statements For the Year Ended December 31, 2012**

### **NOTE 13 - LONG-TERM OBLIGATIONS**

Detail of the changes in the bonds, loans, and compensated absences of the City for the year ended December 31, 2012, were as follows:

	Restated* Balance December 31, 2011	Issued	(Retired)	Balance December 31, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2005 3.890% Various Purpose Refunding	\$6,915,000	\$0	(\$570,000)	\$6,345,000	\$615,000
Total General Obligation Bonds	<u>6,915,000</u>	<u>0</u>	<u>(570,000)</u>	<u>6,345,000</u>	<u>615,000</u>
Long Term Bond Anticipation Notes:					
1.500% Fire Truck	1,000,000	0	(1,000,000)	0	0
1.500% Davis Estates Waterline	600,000	0	(600,000)	0	0
0.880% Fire Truck	0	1,000,000	0	1,000,000	0
0.880% Davis Estates Waterline	0	500,000	0	500,000	0
0.880% Community Center Windows	0	360,000	0	360,000	0
Total Long Term Bond Anticipation Notes	<u>1,600,000</u>	<u>1,860,000</u>	<u>(1,600,000)</u>	<u>1,860,000</u>	<u>0</u>
OPWC Loan:					
0.000% Old Worthington ADA Ramps	128,866	0	(7,810)	121,056	7,810
Compensated Absences	<u>1,556,677</u>	<u>513,415</u>	<u>(450,608)</u>	<u>1,619,484</u>	<u>536,716</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$10,200,543</u>	<u>\$2,373,415</u>	<u>(\$2,628,418)</u>	<u>\$9,945,540</u>	<u>\$1,159,526</u>

\*Beginning balance was restated to reclassify the unamortized deferred loss on refunding bonds to deferred outflows of resources.

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

Notes that were refinanced prior to the issuance of the financial statements and that have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as a long-term liability. See Note 18 for more information.

# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of bond anticipation notes. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. All general obligation bond issues will be paid through the General Obligation Debt Retirement Fund.

#### **A. Principal and Interest Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2012, follows:

Years	General Obligation Bonds		OPWC Loan		Various Purpose BAN	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$615,000	\$248,700	\$7,810	\$0	\$1,860,000	\$16,368
2014	635,000	224,100	7,810	0	0	0
2015	655,000	198,700	7,810	0	0	0
2016	680,000	174,138	7,810	0	0	0
2017	705,000	148,637	7,810	0	0	0
2018-2022	3,055,000	311,600	39,050	0	0	0
2023-2027	0	0	39,050	0	0	0
2028	0	0	3,906	0	0	0
Totals	<u>\$6,345,000</u>	<u>\$1,305,875</u>	<u>\$121,056</u>	<u>\$0</u>	<u>\$1,860,000</u>	<u>\$16,368</u>

#### **B. Defeasance of General Obligation and Special Assessment Debt**

In November of 2005 the City issued \$7,185,000 of Various Purpose Refunding General Obligation Bonds to defease a portion of the \$9,450,000 of General Obligation Bonds for Various Purposes dated 2001.

The net proceeds of the 2005 Various Purposes General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$5,965,000 at December 31, 2012, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

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# ***CITY OF WORTHINGTON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 14 - CONSTRUCTION COMMITMENTS**

The City had the following outstanding commitments at December 31, 2012:

<u>Project</u>	<u>Amount</u>
Community Center Addition	\$49,531
Records Management & Mobile Data System	20,996
Firefighter Community Park	4,348
S.E. Sewer Shed Study & Master Plan	37,133
2008 New & Replacement Equipment	9,100
SE Sewer Shed Lining & Repair Project	18,555
Public Safety Network Upgrades	37,192
Safety Department HVAC Improvements	3,573
Northbrook Relief Sewer Phase II Design	12,400
2010 Street Improvement Program	1,025
Indianola Playground Improvements	9,300
2011 New & Replacement Equipment	75,062
Central Business District Improvements - Baskets, Benches, Racks	17,422
2011 Street Improvement Program	9,670
Wilson Bridge Road Design Study	150,000
SE Sewer Shed Basins 6&8 SSES	64,112
Kenyonbrook Siphon Removal Study/Design	39,511
Community Center Carpet Replacement	114,578
Urban Forestry Tree Replacement Project	2,274
2012 New & Replacement Equipment	572,273
McCoy Culvert Replacement	257,080
West Wilson Bridge Road Resurfacing	38,802
2012 Street Improvement Program	117,094
Community Center Window Replacement	17,382
752 High Street Study	2,600
	<u>\$1,681,013</u>

### **NOTE 15 - CONTINGENT LIABILITIES**

#### **A. Litigation**

The City is of the opinion that ultimate disposition of all claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

#### **B. State and Federal Grants**

For the period January 1, 2012, to December 31, 2012, the City received state and federal grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

## ***CITY OF WORTHINGTON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

*Mid-Ohio Regional Planning Commission* - The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representatives appointed by member governments who make up the commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south-central Ohio and a regional planning agency whose membership includes 42 political subdivisions in and around Franklin, Ross, Fayette, Delaware, Pickaway, Madison, Licking, and Fairfield counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support livability/sustainability measures as a means of addressing regional growth challenges, and to administer and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

*Worthington Community Improvement Corporation* - The City is a member of the Worthington Community Improvement Corporation (CIC), a jointly governed organization. The CIC consists of a 5 member board, which at least 2 members are appointed by the City Council. The CIC is responsible for advancing, encouraging and promoting industrial, economic, commercial and civic development of the City of Worthington. The City of Worthington does not have any ongoing financial interest and/or responsibility with the CIC.

#### **NOTE 17 – JOINT VENTURE**

*Central Ohio Interoperable Radio System Council of Governments* - The City joined the City of Dublin and Delaware County to create the Central Ohio Interoperable Radio System Council of Governments (COG), which is a joint venture. The COG was created in order to allow the members to collaborate to create an improved dispatching system with enhanced technology, redundancy, spectrum efficiency, and interoperability that will better serve the residents of each member's political subdivision. The City does not have an equity interest in the COG.

#### **NOTE 18 – SUBSEQUENT EVENTS**

On January 25, 2013, the City issued bond anticipation notes in the amount of \$1,860,000 to retire notes previously issued in the amount of \$1,860,000 for the acquisition of water lines, sewer lines, pumping stations and related equipment and replacing, constructing, and installing a waterline for the Davis Estates subdivision and an issuance of an additional \$360,000 for the community center window replacement project. The notes have an interest rate of 0.85% and mature on January 24, 2014.



## Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

City of Worthington  
Franklin County  
6550 North High Street  
Worthington, Ohio 43085

To the Members of Council and Mayor:

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, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Worthington's basic financial statements and have issued our report thereon dated July 28, 2014, wherein we noted as discussed in Note 2, the City of Worthington adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City of Worthington'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 City of Worthington'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 City of Worthington's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Members of Council and Mayor  
City of Worthington

***Compliance and Other Matters***

As part of reasonably assuring whether the City of Worthington's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Julian & Grube, Inc.  
July 28, 2014

**CITY OF WORTHINGTON  
FRANKLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i></b>
2011-001	<u>Material Weakness - Financial Reporting</u> - Sound financial reporting is the responsibility of the City's Fiscal Officer and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Audit adjustments were made to the financial statements and, where applicable, to the City's accounting records.	Yes	N/A



# Dave Yost • Auditor of State

**CITY OF WORTHINGTON**

**FRANKLIN 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  
SEPTEMBER 16, 2014**