

**THE CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 2000

STEVEN R. GANDEE, DIRECTOR OF FINANCE



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Members of Council and City Manager
City of Worthington
6550 North High Street
Worthington, Ohio 43085

We have reviewed the Independent Auditor's Report of the City of Worthington, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2000 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 14, 2002

This Page is Intentionally Left Blank.

**THE CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types and Account Groups - 2000	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - 2000	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types - 2000	5 - 6
Notes to the General Purpose Financial Statements	7 - 33
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	34 - 35

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Members of Council and City Manager
The City of Worthington, Franklin County
6550 North High Street
Worthington, OH 43085

We have audited the accompanying general purpose financial statements of the City of Worthington, Franklin County as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Worthington's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Worthington, as of December 31, 2000, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
May 10, 2002

This Page is Intentionally Left Blank.

THE CITY OF WORTHINGTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	<i>Governmental Fund Types</i>			<i>Fiduciary</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Agency Funds	General Fixed Assets		General Long-Term Obligations
Assets and Other Debits:								
Assets:								
Cash and Cash Equivalents	\$5,891	\$45,749	\$297	\$5,905	\$39,300	\$0	\$0	\$97,142
Investments	10,494,346	1,517,075	530,180	10,518,226	0	0	0	23,059,827
Receivables (net of allowance for doubtful accounts):								
Taxes	2,559,284	141,621	80,212	587,995	0	0	0	3,369,112
Accounts	27,647	19,173	0	0	0	0	0	46,820
Interest	437,612	14,823	0	0	0	0	0	452,435
Special Assessments	0	0	764,392	627,491	0	0	0	1,391,883
Loans	0	0	0	480,000	0	0	0	480,000
Interfund Loan Receivable	0	0	0	153,738	0	0	0	153,738
Due from Other Funds	19,934	1,472	0	0	0	0	0	21,406
Intergovernmental Receivables	467,700	41,897	696	5,304	0	0	0	515,597
Prepaid Items	10,868	7,508	0	29,426	0	0	0	47,802
Restricted Assets:								
Cash with Fiscal Agent	0	0	1,443	708,315	35,116	0	0	744,874
Fixed Assets	0	0	0	0	0	20,766,689	0	20,766,689
Other Debits:								
Amount Available in Debt Service Funds	0	0	0	0	0	0	377,435	377,435
Amount to be Provided for								
General Long-Term Obligations	0	0	0	0	0	0	1,315,222	1,315,222
Total Assets and Other Debits	<u>\$14,023,282</u>	<u>\$1,789,318</u>	<u>\$1,377,220</u>	<u>\$13,116,400</u>	<u>\$74,416</u>	<u>\$20,766,689</u>	<u>\$1,692,657</u>	<u>\$52,839,982</u>

THE CITY OF WORTHINGTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	<i>Governmental Fund Types</i>				<i>Fiduciary</i>	<i>Account Groups</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Agency Funds	General Fixed Assets	General Long-Term Obligations	
Liabilities, Equity and Other Credits:								
Liabilities:								
Accounts Payable	\$195,275	\$6,367	\$0	\$78,990	\$0	\$0	\$0	\$280,632
Accrued Wages and Benefits	26,258	14,382	0	0	0	0	0	40,640
Due to Other Funds	0	0	0	0	21,406	0	0	21,406
Interfund Loan Payable	0	0	153,738	0	0	0	0	153,738
Intergovernmental Payables	509,174	134,253	0	58,652	19,995	0	0	722,074
Due to Others	0	0	0	0	33,015	0	0	33,015
Contracts Payable	297,733	30,834	0	138,110	0	0	0	466,677
Contract Retainage Payable	0	0	0	32,097	0	0	0	32,097
Matured Bond and Interest Payable	0	0	1,443	0	0	0	0	1,443
Deferred Revenue	1,274,177	160,794	844,604	627,491	0	0	0	2,907,066
Compensated Absences Payable	0	0	0	0	0	0	1,096,657	1,096,657
Special Assessment Bonds Payable								
with Governmental Commitment	0	0	0	0	0	0	422,019	422,019
General Obligation Bonds Payable	0	0	0	0	0	0	173,981	173,981
Total Liabilities	2,302,617	346,630	999,785	935,340	74,416	0	1,692,657	6,351,445
Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	20,766,689	0	20,766,689
Fund Balances:								
Reserved for Encumbrances	36,642	3,866	0	482,210	0	0	0	522,718
Reserved for Prepaid Items	10,868	7,508	0	29,426	0	0	0	47,802
Reserved for Restricted Assets	0	0	0	708,315	0	0	0	708,315
Reserved for Loans Receivable	0	0	0	480,000	0	0	0	480,000
Reserved for Debt Service	0	0	377,435	0	0	0	0	377,435
Unreserved:								
Undesignated	11,673,155	1,431,314	0	10,481,109	0	0	0	23,585,578
Total Equity and Other Credits	11,720,665	1,442,688	377,435	12,181,060	0	20,766,689	0	46,488,537
Total Liabilities, Equity and Other Credits	\$14,023,282	\$1,789,318	\$1,377,220	\$13,116,400	\$74,416	\$20,766,689	\$1,692,657	\$52,839,982

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WORTHINGTON, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Revenues:					
Property Taxes	\$1,147,323	\$136,046	\$77,093	\$0	\$1,360,462
Municipal Income Taxes	9,597,786	0	0	4,172,752	13,770,538
Other Local Taxes	157,205	0	0	0	157,205
Intergovernmental Revenues	1,835,626	548,156	9,044	5,304	2,398,130
Charges for Services	388,037	557,138	0	8,733	953,908
Licenses, Permits and Fees	150,313	0	0	0	150,313
Investment Earnings	1,495,032	83,864	0	0	1,578,896
Special Assessments	75,024	0	163,277	82,869	321,170
Fines and Forfeitures	214,744	18,305	0	0	233,049
All Other Revenues	90,973	4,185	0	2,600	97,758
Total Revenues	<u>15,152,063</u>	<u>1,347,694</u>	<u>249,414</u>	<u>4,272,258</u>	<u>21,021,429</u>
Expenditures:					
Current:					
Security of Persons and Property	6,699,197	393,940	0	0	7,093,137
Public Health and Welfare Services	58,031	0	0	0	58,031
Leisure Time Activities	1,475,569	365,687	0	0	1,841,256
Community Environment	404,290	0	0	0	404,290
Basic Utility Services	849,147	120,077	0	0	969,224
Transportation	908,701	609,318	0	0	1,518,019
General Government	3,442,833	213	0	502,764	3,945,810
Capital Outlay	0	0	0	4,290,517	4,290,517
Debt Service:					
Principal Retirement	0	0	106,000	0	106,000
Interest and Fiscal Charges	0	0	52,079	0	52,079
Total Expenditures	<u>13,837,768</u>	<u>1,489,235</u>	<u>158,079</u>	<u>4,793,281</u>	<u>20,278,363</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,314,295	(141,541)	91,335	(521,023)	743,066
Other Financing Sources (Uses):					
Operating Transfers In	26,395	267,511	0	176,458	470,364
Operating Transfers Out	(442,058)	(26,395)	0	(1,911)	(470,364)
Other Financing Uses	(20,439)	0	0	0	(20,439)
Total Other Financing Sources (Uses)	<u>(436,102)</u>	<u>241,116</u>	<u>0</u>	<u>174,547</u>	<u>(20,439)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	878,193	99,575	91,335	(346,476)	722,627
Fund Balances Beginning of Year	<u>10,842,472</u>	<u>1,343,113</u>	<u>286,100</u>	<u>12,527,536</u>	<u>24,999,221</u>
Fund Balances End of Year	<u>\$11,720,665</u>	<u>\$1,442,688</u>	<u>\$377,435</u>	<u>\$12,181,060</u>	<u>\$25,721,848</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WORTHINGTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,137,077	\$1,147,323	\$10,246	\$134,514	\$136,046	\$1,532
Municipal Income Taxes	9,680,633	9,783,176	102,543	0	0	0
Other Local Taxes	160,000	156,295	(3,705)	0	0	0
Intergovernmental Revenues	927,188	1,616,264	689,076	562,604	552,420	(10,184)
Charges for Services	660,000	435,195	(224,805)	544,000	557,138	13,138
Licenses, Permits and Fees	188,000	150,238	(37,762)	0	0	0
Investment Earnings	949,000	1,379,452	430,452	33,000	86,400	53,400
Special Assessments	45,000	75,024	30,024	0	0	0
Fines and Forfeitures	175,000	214,789	39,789	1,000	16,833	15,833
All Other Revenues	18,000	84,393	66,393	3,000	683	(2,317)
Total Revenues	<u>13,939,898</u>	<u>15,042,149</u>	<u>1,102,251</u>	<u>1,278,118</u>	<u>1,349,520</u>	<u>71,402</u>
Expenditures:						
Current:						
Security of Persons and Property	7,003,126	6,659,485	343,641	406,163	392,633	13,530
Public Health and Welfare	88,845	88,845	0	0	0	0
Leisure Time Activities	1,669,375	1,520,462	148,913	400,391	366,336	34,055
Community Environment	450,121	413,612	36,509	0	0	0
Basic Utility Services	949,974	918,775	31,199	149,818	123,182	26,636
Transportation	1,030,089	946,143	83,946	705,700	659,433	46,267
General Government	3,466,401	3,277,823	188,578	1,500	213	1,287
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>14,657,931</u>	<u>13,825,145</u>	<u>832,786</u>	<u>1,663,572</u>	<u>1,541,797</u>	<u>121,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(718,033)	1,217,004	1,935,037	(385,454)	(192,277)	193,177
Other Financing Sources (Uses):						
Operating Transfers In	17,500	26,395	8,895	270,600	267,511	(3,089)
Operating Transfers Out	(442,058)	(442,058)	0	(26,395)	(26,395)	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	(28,738)	(25,609)	3,129	0	0	0
Total Other Financing Sources (Uses)	<u>(453,296)</u>	<u>(441,272)</u>	<u>12,024</u>	<u>244,205</u>	<u>241,116</u>	<u>(3,089)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,171,329)	775,732	1,947,061	(141,249)	48,839	190,088
Fund Balances at Beginning of Year	9,044,951	9,044,951	0	1,413,061	1,413,061	0
Prior Year Encumbrances	365,895	365,895	0	41,805	41,805	0
Fund Balances at End of Year	<u>\$8,239,517</u>	<u>\$10,186,578</u>	<u>\$1,947,061</u>	<u>\$1,313,617</u>	<u>\$1,503,705</u>	<u>\$190,088</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WORTHINGTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised		Variance:	Revised		Variance:	Revised		Variance:
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$76,224	\$77,093	\$869	\$0	\$0	\$0	\$1,347,815	\$1,360,462	\$12,647
0	0	0	4,369,657	4,252,944	(116,713)	14,050,290	14,036,120	(14,170)
0	0	0	0	0	0	160,000	156,295	(3,705)
8,276	8,348	72	0	0	0	1,498,068	2,177,032	678,964
0	0	0	10,000	8,733	(1,267)	1,214,000	1,001,066	(212,934)
0	0	0	0	0	0	188,000	150,238	(37,762)
0	0	0	0	0	0	982,000	1,465,852	483,852
120,000	163,277	43,277	0	82,869	82,869	165,000	321,170	156,170
0	0	0	0	0	0	176,000	231,622	55,622
0	0	0	0	2,600	2,600	21,000	87,676	66,676
204,500	248,718	44,218	4,379,657	4,347,146	(32,511)	19,802,173	20,987,533	1,185,360
0	0	0	0	0	0	7,409,289	7,052,118	357,171
0	0	0	0	0	0	88,845	88,845	0
0	0	0	0	0	0	2,069,766	1,886,798	182,968
0	0	0	0	0	0	450,121	413,612	36,509
0	0	0	0	0	0	1,099,792	1,041,957	57,835
0	0	0	0	0	0	1,735,789	1,605,576	130,213
0	0	0	469,127	463,719	5,408	3,937,028	3,741,755	195,273
0	0	0	5,714,430	5,400,592	313,838	5,714,430	5,400,592	313,838
106,000	106,000	0	0	0	0	106,000	106,000	0
52,091	52,079	12	0	0	0	52,091	52,079	12
158,091	158,079	12	6,183,557	5,864,311	319,246	22,663,151	21,389,332	1,273,819
46,409	90,639	44,230	(1,803,900)	(1,517,165)	286,735	(2,860,978)	(401,799)	2,459,179
0	0	0	363,000	176,458	(186,542)	651,100	470,364	(180,736)
0	0	0	(1,911)	(1,911)	0	(470,364)	(470,364)	0
0	0	0	0	30,000	30,000	0	30,000	30,000
0	0	0	0	0	0	(28,738)	(25,609)	3,129
0	0	0	361,089	204,547	(156,542)	151,998	4,391	(147,607)
46,409	90,639	44,230	(1,442,811)	(1,312,618)	130,193	(2,708,980)	(397,408)	2,311,572
439,838	439,838	0	9,558,771	9,558,771	0	20,456,621	20,456,621	0
0	0	0	1,513,198	1,513,198	0	1,920,898	1,920,898	0
\$486,247	\$530,477	\$44,230	\$9,629,158	\$9,759,351	\$130,193	\$19,668,539	\$21,980,111	\$2,311,572

THE CITY OF WORTHINGTON, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

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.

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, public health and welfare, and refuse collection. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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.

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 thirteen 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 just completed its third three-year term on December 31, 2000. The City has committed to a fourth three-year term that begins on January 1, 2001. The City has no ongoing financial responsibility other than the three-year minimum membership. See Note 11.

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups 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. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 following are the City's governmental fund types.

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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary 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.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This accounts for all general fixed assets of the City.

General Long-Term Obligations Account Group - This accounts for all unmatured general long-term indebtedness of the City, including special assessment debt for which the City is obligated in some manner.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 and agency 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.

Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and other local taxes (including hotel/motel tax and estate taxes). Other revenues, including licenses, permits, certain charges for services, fines and forfeitures, income taxes other than that withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, 2000 are recorded as deferred revenue.

Property taxes measurable as of December 31, 2000, but which are not intended to finance 2000 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

D. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2000.

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 statements of budgetary comparisons 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 and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, (Budget Basis) All Governmental Fund Types 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). On a budgetary basis expenditures against carryover encumbrances are excluded. Expenditures are increased on the GAAP basis for these amounts.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. State statute requires short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. **Budgetary Basis of Accounting** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
GAAP Basis (as reported)	\$878,193	\$99,575	\$91,335	(\$346,476)
Increase (Decrease):				
Accrued Revenues at December 31, 2000 received during 2001	(2,238,000)	(58,192)	(696)	(1,227,037)
Accrued Revenues at December 31, 1999 received during 2000	2,128,086	63,520	0	1,331,925
Accrued Expenditures at December 31, 2000 paid during 2001	1,028,440	185,836	153,738	307,849
Accrued Expenditures at December 31, 1999 paid during 2000	(709,775)	(185,232)	(153,738)	(694,528)
1999 Prepays for 2000	12,615	0	0	31,331
2000 Prepays for 2001	(10,868)	(7,508)	0	(29,426)
Changes in Cash With Fiscal Agent	0	0	0	78,524
Entity Difference	0	(3,502)	0	0
Outstanding Encumbrances	(312,959)	(45,658)	0	(764,780)
Budget Basis	<u>\$775,732</u>	<u>\$48,839</u>	<u>\$90,639</u>	<u>(\$1,312,618)</u>

E. 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 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 3, "Cash, Cash Equivalents and Investments."

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Asset Account Group.

The fixed assets 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 fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed 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.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated.

H. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Obligation Bond Retirement Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Compensated Absences	General Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 one quarter of the total accrued hours up to a maximum of 600 hours paid.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group.

J. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during 2000.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

L. 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. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Advances to/from Other Funds."

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, loans receivable, debt service, restricted assets and encumbered amounts that have not been accrued at year end.

N. Total Columns on General Purpose Financial Statements

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficit at December 31, 2000 of \$54,618 in the Police Pension Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures on the budget basis of accounting. A deficit does not exist under the budget basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. 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 "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 two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but 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;

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- 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).

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 110% 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. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At year end, the City had \$708,315 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2000.

A. Deposits

At year end the carrying amount of the City's deposits was \$23,452,843 and the bank balance was \$23,142,754. The Federal Deposit Insurance Corporation (FDIC) covered \$752,237 of the bank balance. All remaining deposits were classified as Category 3. In addition, the City had \$800 cash on hand. The deposit balance does not include cash on deposit with the Franklin County Treasurer reported in the Capital Projects Funds. (See above).

B. Investments

The City's Investments at December 31, 2000 are:

<u>Categorized Investments</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement	\$449,000	\$449,000
Total Investments	<u>\$449,000</u>	<u>\$449,000</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$842,016	\$23,059,827
Repurchase Agreement	(449,000)	449,000
Certificates of Deposit		
(with maturities of more than 3 months)	<u>23,059,827</u>	<u>(23,059,827)</u>
Per GASB Statement No. 3	<u>\$23,452,843</u>	<u>\$449,000</u>

* Includes Cash with Fiscal Agent less funds on deposit with the Franklin County Treasurer of \$708,315.

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reevaluated every six years and equalization adjustments made in the third year following the reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 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 year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts 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, 2000, was \$3.00 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 .30% (3.00 mills) of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	
Residential	\$296,814,690
Commercial	99,075,080
Industrial	22,261,470
Public Utility Real	58,770
Tangible Personal Property	57,818,547
Public Utility Tangible Personal	24,787,140
Total Assessed Valuation	<u>\$500,815,697</u>

NOTE 4 – TAXES (Continued)

A. Property Taxes (Continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. 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 2000 operations. The receivable is therefore offset by a credit to deferred revenue.

B. Income Tax

The City levies and collects an income tax of 1.65 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 of Columbus administers and collects income taxes for the City of Worthington. Payments, net of a 1.535 percent collection fee, are remitted monthly for tax revenues received by Columbus in prior months.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2000, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts. The City also has loans receivable at December 31, 2000 in the amount of \$480,000. This is a result of a loan in the amount of \$600,000 given to Swim Inc. by the City for renovations to the swimming facilities. The loan is to be repaid over a twenty year period at \$30,000 per year with no interest charges.

NOTE 6 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$26,395	\$442,058
Special Revenue Funds:		
Police Pension Fund	254,600	0
Parks and Recreation Fund	0	26,395
Special Parks Fund	1,911	0
Bicentennial Trust Fund	<u>11,000</u>	<u>0</u>
Total Special Revenue Funds	267,511	26,395
Capital Projects Fund:		
Capital Improvement Fund	<u>176,458</u>	<u>1,911</u>
Total All Funds	<u>\$470,364</u>	<u>\$470,364</u>

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES

Individual interfund receivable and payable balances at December 31, 2000, were as follows:

A. Interfund Loans Receivable/Payable

	<u>Interfund Loan Receivables</u>	<u>Interfund Loan Payables</u>
Debt Service Fund:		
S.A. Bond Retirement Fund	\$0	\$153,738
Capital Projects Fund:		
Capital Improvement Fund	153,738	0
Totals	<u>\$153,738</u>	<u>\$153,738</u>

B. Due to/from Other Funds

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$19,934	\$0
Special Revenue Fund:		
Court Clerk Computer Fund	1,472	0
Agency Fund:		
Mayor's Court Fund	0	21,406
Totals	<u>\$21,406</u>	<u>\$21,406</u>

NOTE 8 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 2000, were as follows:

Category	December 31, 1999	Additions	Deletions	December 31, 2000
Land	\$4,255,754	\$600,000	\$0	\$4,855,754
Land Improvements	164,786	0	0	164,786
Buildings	6,812,756	1,450,000	0	8,262,756
Equipment and Furniture	4,228,686	637,921	(112,056)	4,754,551
Vehicles	2,738,699	58,013	(67,870)	2,728,842
Totals	<u>\$18,200,681</u>	<u>\$2,745,934</u>	<u>(\$179,926)</u>	<u>\$20,766,689</u>

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. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio 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 the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension and 4.3% to fund health care. The 1999 and 1998 employer contribution rates were 13.55%. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999 and 1998 were \$430,409, \$522,148 and \$443,534, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3% of covered payroll which amounted to \$170,734.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio’s latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 is \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

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

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. 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. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$386,254, \$380,040 and \$362,574 for police and \$507,260, \$478,097 and \$474,258 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$143,607 representing 7.25% of covered payroll for police and \$153,235 representing 7.25% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

This space left blank intentionally

NOTE 10 - 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 one quarter of the total accrued hours up to a maximum of 600 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, 2000, the total liability for accumulated unpaid compensated absences recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	24,476	\$505,185
Vacation / Compensatory Time	28,657	591,472
Total	<u>53,133</u>	<u>\$1,096,657</u>

NOTE 11 - 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 2000, 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	250/500
Property	19,824,703	5,000
Boiler and Machinery	2,500,000	5,000
Crime	100,000	1,000
Public Officials	5,000,000	10,000
Law Enforcement	1,000,000	10,000
Umbrella	4,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years.

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.

NOTE 11 - RISK MANAGEMENT (Continued)

B. Health Care Benefits

The City participates in the Central Ohio Health Care Consortium, a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of thirteen political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. 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 pays monthly contributions to the Pool, which are used to purchase excess loss insurance for the Pool, 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 115 percent of the expected costs of the Pool, which will allow the Pool 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 Pool's operations.

The Pool 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 Pool for medical claims paid to an individual in excess of \$100,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$3,319,964, 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 Pool, 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 three years.

The City currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate. After a vote to terminate the Pool, the Board would wind-up the Pool'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 Pool would continue to pay all claims and expenses until the Pool'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 Pool would be paid to the members of the Pools 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 Pool for the prior three calendar years of the Pool bore to all members' contributions to the Pool for that same period. The City's payment for health insurance coverage to the Central Ohio Health Care Consortium in 2000 was \$767,143.

NOTE 12 - LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2000, was as follows:

		Balance December 31, 1999	Issued (Retired)	Balance December 31, 2000
General Long-Term Debt:				
General Obligation Bond:				
7.375% Huntley Road	1987	\$198,836	(\$24,855)	\$173,981
Special Assessment Bonds:				
9.000% East Wilson Bridge Sewers	1980	15,000	(15,000)	0
10.375% Greenwich Street	1981	2,000	(1,000)	1,000
7.375% East Wilson Bridge Road	1986	245,000	(35,000)	210,000
7.375% Huntley Road	1987	241,164	(30,145)	211,019
Total Special Assessment Bonds with Governmental Commitment		<u>503,164</u>	<u>(81,145)</u>	<u>422,019</u>
Total General Long-Term Debt		<u>702,000</u>	<u>(106,000)</u>	<u>596,000</u>
Other Long-Term Obligations:				
Compensated Absences		<u>1,056,034</u>	<u>40,623</u>	<u>1,096,657</u>
Total Other Long-Term Obligations		<u>1,056,034</u>	<u>40,623</u>	<u>1,096,657</u>
Total General Long-Term Debt and Other Long-Term Obligations		<u>\$1,758,034</u>	<u>(\$65,377)</u>	<u>\$1,692,657</u>

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.

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

The principal amount of the City's special assessment debt outstanding at December 31, 2000, \$422,019, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The cash basis fund balance of \$223,517 in the Special Assessment Bond Retirement Fund at December 31, 2000 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$18,719.

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, 2000, follows:

Years	General Obligation Bond		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2001	\$24,855	\$12,831	\$66,146	\$31,155	\$134,987
2002	24,854	10,998	65,145	26,246	127,243
2003	24,855	9,165	65,146	21,441	120,607
2004	24,854	7,332	65,145	16,637	113,968
2005	24,855	5,499	65,146	11,832	107,332
2006-2007	49,708	5,499	95,291	9,251	159,749
Totals	<u>\$173,981</u>	<u>\$51,324</u>	<u>\$422,019</u>	<u>\$116,562</u>	<u>\$763,886</u>

NOTE 13 - CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at December 31, 2000:

<u>Project</u>	<u>Amount</u>
Olentangy Bikeway Stabilization	\$25,129
Huntley/Wilson Bridge Study	40,251
2000 New and Replacement Equipment	119,157
800 MHZ Communication System	34,446
Godown Road Park Site	9,718
Design Skate Park Facility	20,412
Olentangy Trunk Sewer	16,028
2000 Street Improvement Program	55,687
2000 Sidewalk Program	166,053
1999 Street Improvement Program	56,977
1999 Sidewalk Program	16,698
Perry School Park Site/Restroom Facility	30,425
26 E. New England Parking Lot	21,498
Granville Boulevard Improvement	19,049
Proprietors Road Improvement	11,091
Old Worthington Street Light Upgrades	50,268
Flora Villa/SAMADA Storm Sewer	2,979
2000 Waterline Improvement Projects	26,813
South to High Road Resurface	<u>15,412</u>
	<u><u>\$738,091</u></u>

NOTE 14 - 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, 2000, to December 31, 2000, 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.

THE CITY OF WORTHINGTON, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	Balance December 31, 1999	Additions	Deductions	Balance December 31, 2000
<u>Mayor's Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$27,996	\$297,695	(\$290,575)	\$35,116
Total Assets	<u>\$27,996</u>	<u>\$297,695</u>	<u>(\$290,575)</u>	<u>\$35,116</u>
Liabilities:				
Due to Other Funds	\$19,979	\$181,469	(\$180,042)	\$21,406
Intergovernmental Payables	5,715	104,281	(97,695)	12,301
Due to Others	2,302	11,945	(12,838)	1,409
Total Liabilities	<u>\$27,996</u>	<u>\$297,695</u>	<u>(\$290,575)</u>	<u>\$35,116</u>
<u>Accrued Acreage Fund</u>				
Assets:				
Cash and Cash Equivalents	\$4,643	\$4,367	(\$2,700)	\$6,310
Total Assets	<u>\$4,643</u>	<u>\$4,367</u>	<u>(\$2,700)</u>	<u>\$6,310</u>
Liabilities:				
Intergovernmental Payable	\$4,643	\$4,367	(\$2,700)	\$6,310
Total Liabilities	<u>\$4,643</u>	<u>\$4,367</u>	<u>(\$2,700)</u>	<u>\$6,310</u>
<u>Ohio Board of Building Standards Assessments</u>				
Assets:				
Cash and Cash Equivalents	\$1,424	\$727	(\$767)	\$1,384
Total Assets	<u>\$1,424</u>	<u>\$727</u>	<u>(\$767)</u>	<u>\$1,384</u>
Liabilities:				
Intergovernmental Payable	\$1,424	\$727	(\$767)	\$1,384
Total Liabilities	<u>\$1,424</u>	<u>\$727</u>	<u>(\$767)</u>	<u>\$1,384</u>
<u>Performance Trust Fund</u>				
Assets:				
Cash and Cash Equivalents	\$30,506	\$5,100	(\$4,000)	\$31,606
Total Assets	<u>\$30,506</u>	<u>\$5,100</u>	<u>(\$4,000)</u>	<u>\$31,606</u>
Liabilities:				
Due to Others	\$30,506	\$5,100	(\$4,000)	\$31,606
Total Liabilities	<u>\$30,506</u>	<u>\$5,100</u>	<u>(\$4,000)</u>	<u>\$31,606</u>

(Continued)

THE CITY OF WORTHINGTON, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	Balance December 31, 1999	Additions	Deductions	Balance December 31, 2000
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$36,573	\$10,194	(\$7,467)	\$39,300
Cash with Fiscal Agent	27,996	297,695	(290,575)	35,116
Total Assets	<u>\$64,569</u>	<u>\$307,889</u>	<u>(\$298,042)</u>	<u>\$74,416</u>
Liabilities:				
Due to Other Funds	\$19,979	\$181,469	(\$180,042)	\$21,406
Intergovernmental Payables	11,782	109,375	(101,162)	19,995
Due to Others	32,808	17,045	(16,838)	33,015
Total Liabilities	<u>\$64,569</u>	<u>\$307,889</u>	<u>(\$298,042)</u>	<u>\$74,416</u>

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and City Manager
The City of Worthington
6550 North High Street
Worthington, OH 43085

We have audited the general purpose financial statements of the City of Worthington as of and for the year ended December 31, 2000, and have issued our report thereon dated May 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Worthington's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Worthington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Worthington in a separate letter dated May 10, 2002.

This report is intended for the information of the City of Worthington and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
May 10, 2002

**THE CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 2001

STEVEN R. GANDEE, DIRECTOR OF FINANCE

This Page is Intentionally Left Blank.

**THE CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types and Account Groups - 2001	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - 2001	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types - 2001	5 - 6
Notes to the General Purpose Financial Statements	7 - 34
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	35 - 36

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Members of Council and City Manager
The City of Worthington, Franklin County
6550 North High Street
Worthington, OH 43085

We have audited the accompanying general purpose financial statements of the City of Worthington, Franklin County as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Worthington's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

As disclosed in Note 2 to the general purpose financial statements, the City implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Worthington, as of December 31, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
May 10, 2002

This Page is Intentionally Left Blank.

THE CITY OF WORTHINGTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	<i>Governmental Fund Types</i>			<i>Fiduciary</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Agency Funds	General Fixed Assets		General Long-Term Obligations
Assets and Other Debits:								
Assets:								
Cash and Cash Equivalents	\$3,332,603	\$970,725	\$729,461	\$5,952,239	\$41,961	\$0	\$0	\$11,026,989
Investments	6,770,987	615,735	0	11,233,271	0	0	0	18,619,993
Receivables (net of allowance for doubtful accounts):								
Taxes	2,573,294	139,791	79,237	603,773	0	0	0	3,396,095
Accounts	37,397	14,326	0	0	0	0	0	51,723
Interest	141,411	8,650	0	8,899	0	0	0	158,960
Special Assessments	0	0	631,803	579,357	0	0	0	1,211,160
Loans	0	0	0	480,000	0	0	0	480,000
Interfund Loan Receivable	0	0	0	153,738	0	0	0	153,738
Due from Other Funds	17,301	1,322	0	0	0	0	0	18,623
Intergovernmental Receivables	761,559	251,353	4,191	112,524	0	0	0	1,129,627
Prepaid Items	18,369	11,084	0	30,492	0	0	0	59,945
Restricted Assets:								
Cash with Fiscal Agent	0	0	166	792,688	27,129	0	0	819,983
Fixed Assets	0	0	0	0	0	25,552,887	0	25,552,887
Other Debits:								
Amount Available in Debt Service Funds	0	0	0	0	0	0	575,723	575,723
Amount to be Provided for								
General Long-Term Obligations	0	0	0	0	0	0	11,592,074	11,592,074
Total Assets and Other Debits	<u>\$13,652,921</u>	<u>\$2,012,986</u>	<u>\$1,444,858</u>	<u>\$19,946,981</u>	<u>\$69,090</u>	<u>\$25,552,887</u>	<u>\$12,167,797</u>	<u>\$74,847,520</u>

THE CITY OF WORTHINGTON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	Governmental Fund Types				Fiduciary	Account Groups		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Fund Type Agency Funds	General Fixed Assets	General Long-Term Obligations	
Liabilities, Equity and Other Credits:								
Liabilities:								
Accounts Payable	\$96,683	\$10,527	\$0	\$33,024	\$0	\$0	\$0	\$140,234
Accrued Wages and Benefits	56,759	12,428	0	0	0	0	0	69,187
Due to Other Funds	0	0	0	0	18,623	0	0	18,623
Interfund Loan Payable	0	0	153,738	0	0	0	0	153,738
Intergovernmental Payables	438,481	176,803	0	49,792	13,199	0	0	678,275
Due to Others	0	0	0	0	37,268	0	0	37,268
Contracts Payable	145,632	1,200	0	560,098	0	0	0	706,930
Contract Retainage Payable	0	0	0	130,225	0	0	0	130,225
Matured Bond and Interest Payable	0	0	166	0	0	0	0	166
Deferred Revenue	1,625,532	324,699	715,231	579,357	0	0	0	3,244,819
Compensated Absences Payable	0	0	0	0	0	0	1,162,797	1,162,797
Special Assessment Bonds Payable								
with Governmental Commitment	0	0	0	0	0	0	355,873	355,873
General Obligation Bonds Payable	0	0	0	0	0	0	10,649,127	10,649,127
Total Liabilities	2,363,087	525,657	869,135	1,352,496	69,090	0	12,167,797	17,347,262
Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	25,552,887	0	25,552,887
Fund Balances:								
Reserved for Encumbrances	62,153	12,198	0	5,825,786	0	0	0	5,900,137
Reserved for Prepaid Items	18,369	11,084	0	30,492	0	0	0	59,945
Reserved for Restricted Assets	0	0	0	792,688	0	0	0	792,688
Reserved for Loans Receivable	0	0	0	480,000	0	0	0	480,000
Reserved for Debt Service	0	0	575,723	0	0	0	0	575,723
Unreserved:								
Undesignated	11,209,312	1,464,047	0	11,465,519	0	0	0	24,138,878
Total Equity and Other Credits	11,289,834	1,487,329	575,723	18,594,485	0	25,552,887	0	57,500,258
Total Liabilities, Equity and Other Credits	\$13,652,921	\$2,012,986	\$1,444,858	\$19,946,981	\$69,090	\$25,552,887	\$12,167,797	\$74,847,520

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WORTHINGTON, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Revenues:					
Property Taxes	\$1,149,058	\$136,252	\$77,209	\$0	\$1,362,519
Municipal Income Taxes	8,719,112	0	0	3,717,881	12,436,993
Other Local Taxes	118,795	0	0	0	118,795
Intergovernmental Revenues	1,602,751	547,062	7,572	107,220	2,264,605
Charges for Services	715,043	533,838	0	12,225	1,261,106
Licenses, Permits and Fees	162,023	0	0	0	162,023
Investment Earnings	1,196,420	36,231	0	167,079	1,399,730
Special Assessments	86,091	0	114,453	42,375	242,919
Fines and Forfeitures	272,701	21,945	0	0	294,646
All Other Revenues	285,546	59,706	0	122,489	467,741
Total Revenues	<u>14,307,540</u>	<u>1,335,034</u>	<u>199,234</u>	<u>4,169,269</u>	<u>20,011,077</u>
Expenditures:					
Current:					
Security of Persons and Property	7,219,612	420,422	0	0	7,640,034
Public Health and Welfare Services	67,138	0	0	0	67,138
Leisure Time Activities	1,613,432	379,731	0	0	1,993,163
Community Environment	423,993	0	0	0	423,993
Basic Utility Services	896,699	130,794	0	0	1,027,493
Transportation	977,403	650,301	0	0	1,627,704
General Government	3,216,687	9,603	0	453,787	3,680,077
Capital Outlay	0	0	0	7,662,422	7,662,422
Debt Service:					
Principal Retirement	0	0	91,000	0	91,000
Interest and Fiscal Charges	0	0	382,012	92,714	474,726
Total Expenditures	<u>14,414,964</u>	<u>1,590,851</u>	<u>473,012</u>	<u>8,208,923</u>	<u>24,687,750</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,424)	(255,817)	(273,778)	(4,039,654)	(4,676,673)
Other Financing Sources (Uses):					
Proceeds from Sale of Bonds Premium and Accrued Interest on Bonds Sold	0	0	0	10,500,000	10,500,000
Operating Transfers In	22,826	290,545	339,000	193,394	845,765
Operating Transfers Out	(480,394)	(22,826)	0	(342,545)	(845,765)
Other Financing Uses	(31,511)	0	0	0	(31,511)
Total Other Financing Sources (Uses)	<u>(489,079)</u>	<u>267,719</u>	<u>472,066</u>	<u>10,453,079</u>	<u>10,703,785</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(596,503)	11,902	198,288	6,413,425	6,027,112
Restated Fund Balances Beginning of Year	11,886,337	1,475,427	377,435	12,181,060	25,920,259
Fund Balances End of Year	<u>\$11,289,834</u>	<u>\$1,487,329</u>	<u>\$575,723</u>	<u>\$18,594,485</u>	<u>\$31,947,371</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WORTHINGTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,148,220	\$1,149,058	\$838	\$135,646	\$136,252	\$606
Municipal Income Taxes	10,330,000	8,516,060	(1,813,940)	0	0	0
Other Local Taxes	160,000	122,224	(37,776)	0	0	0
Intergovernmental Revenues	991,352	2,009,175	1,017,823	569,632	540,927	(28,705)
Charges for Services	676,700	709,800	33,100	615,000	533,838	(81,162)
Licenses, Permits and Fees	176,000	161,798	(14,202)	0	0	0
Investment Earnings	1,050,000	1,492,621	442,621	33,750	42,404	8,654
Special Assessments	75,000	86,091	11,091	0	0	0
Fines and Forfeitures	185,000	275,334	90,334	21,000	22,095	1,095
All Other Revenues	18,800	283,621	264,821	40,500	46,366	5,866
Total Revenues	<u>14,811,072</u>	<u>14,805,782</u>	<u>(5,290)</u>	<u>1,415,528</u>	<u>1,321,882</u>	<u>(93,646)</u>
Expenditures:						
Current:						
Security of Persons and Property	7,563,864	7,287,646	276,218	435,465	409,261	26,204
Public Health and Welfare	90,828	90,328	500	0	0	0
Leisure Time Activities	1,811,945	1,645,812	166,133	483,549	382,297	101,252
Community Environment	489,940	453,140	36,800	0	0	0
Basic Utility Services	981,768	980,681	1,087	161,778	132,918	28,860
Transportation	1,134,823	1,011,473	123,350	761,562	702,220	59,342
General Government	3,731,159	3,520,757	210,402	30,500	14,603	15,897
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>15,804,327</u>	<u>14,989,837</u>	<u>814,490</u>	<u>1,872,854</u>	<u>1,641,299</u>	<u>231,555</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(993,255)	(184,055)	809,200	(457,326)	(319,417)	137,909
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds Premium and	0	0	0	0	0	0
Accrued Interest on Bonds Sold	0	0	0	0	0	0
Operating Transfers In	15,000	22,826	7,826	256,000	290,545	34,545
Operating Transfers Out	(480,394)	(480,394)	0	(22,826)	(22,826)	0
Other Financing Uses	(35,112)	(35,011)	101	0	0	0
Total Other Financing Sources (Uses)	<u>(500,506)</u>	<u>(492,579)</u>	<u>7,927</u>	<u>233,174</u>	<u>267,719</u>	<u>34,545</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,493,761)	(676,634)	817,127	(224,152)	(51,698)	172,454
Fund Balances at Beginning of Year	10,186,578	10,186,578	0	1,503,705	1,503,705	0
Prior Year Encumbrances	312,959	312,959	0	45,658	45,658	0
Fund Balances at End of Year	<u>\$9,005,776</u>	<u>\$9,822,903</u>	<u>\$817,127</u>	<u>\$1,325,211</u>	<u>\$1,497,665</u>	<u>\$172,454</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF WORTHINGTON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised		Variance:	Revised		Variance:	Revised		Variance:
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$76,866	\$77,209	\$343	\$0	\$0	\$0	\$1,360,732	\$1,362,519	\$1,787
0	0	0	4,491,000	3,702,103	(788,897)	14,821,000	12,218,163	(2,602,837)
0	0	0	0	0	0	160,000	122,224	(37,776)
8,292	8,268	(24)	0	0	0	1,569,276	2,558,370	989,094
0	0	0	10,000	12,225	2,225	1,301,700	1,255,863	(45,837)
0	0	0	0	0	0	176,000	161,798	(14,202)
0	0	0	0	158,180	158,180	1,083,750	1,693,205	609,455
160,000	114,453	(45,547)	60,000	42,375	(17,625)	295,000	242,919	(52,081)
0	0	0	0	0	0	206,000	297,429	91,429
0	0	0	1,000	122,489	121,489	60,300	452,476	392,176
245,158	199,930	(45,228)	4,562,000	4,037,372	(524,628)	21,033,758	20,364,966	(668,792)
0	0	0	0	0	0	7,999,329	7,696,907	302,422
0	0	0	0	0	0	90,828	90,328	500
0	0	0	0	0	0	2,295,494	2,028,109	267,385
0	0	0	0	0	0	489,940	453,140	36,800
0	0	0	0	0	0	1,143,546	1,113,599	29,947
0	0	0	0	0	0	1,896,385	1,713,693	182,692
0	0	0	498,411	452,616	45,795	4,260,070	3,987,976	272,094
0	0	0	14,541,127	13,702,974	838,153	14,541,127	13,702,974	838,153
91,000	91,000	0	0	0	0	91,000	91,000	0
382,987	382,012	975	94,450	92,714	1,736	477,437	474,726	2,711
473,987	473,012	975	15,133,988	14,248,304	885,684	33,285,156	31,352,452	1,932,704
(228,829)	(273,082)	(44,253)	(10,571,988)	(10,210,932)	361,056	(12,251,398)	(10,987,486)	1,263,912
0	0	0	10,500,000	10,500,000	0	10,500,000	10,500,000	0
0	133,066	133,066	0	102,230	102,230	0	235,296	235,296
450,000	339,000	(111,000)	115,000	193,394	78,394	836,000	845,765	9,765
0	0	0	(342,545)	(342,545)	0	(845,765)	(845,765)	0
0	0	0	0	0	0	(35,112)	(35,011)	101
450,000	472,066	22,066	10,272,455	10,453,079	180,624	10,455,123	10,700,285	245,162
221,171	198,984	(22,187)	(299,533)	242,147	541,680	(1,796,275)	(287,201)	1,509,074
530,477	530,477	0	9,759,351	9,759,351	0	21,980,111	21,980,111	0
0	0	0	764,780	764,780	0	1,123,397	1,123,397	0
\$751,648	\$729,461	(\$22,187)	\$10,224,598	\$10,766,278	\$541,680	\$21,307,233	\$22,816,307	\$1,509,074

THE CITY OF WORTHINGTON, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

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.

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, public health and welfare, and refuse collection. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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.

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 twelve 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 recently completed its third three-year term on December 31, 2000. The City has committed to a fourth three-year term that began on January 1, 2001. 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 and account groups 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. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 following are the City's governmental fund types.

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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary 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.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This accounts for all general fixed assets of the City.

General Long-Term Obligations Account Group - This accounts for all unmatured general long-term indebtedness of the City, including special assessment debt for which the City is obligated in some manner.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 and agency 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.

Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and other local taxes (including hotel/motel tax and estate taxes). Other revenues, including licenses, permits, certain charges for services, fines and forfeitures, income taxes other than that withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, 2001 are recorded as deferred revenue.

Property taxes measurable as of December 31, 2001, but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

D. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2001.

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 statements of budgetary comparisons 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 and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, (Budget Basis) All Governmental Fund Types 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). On a budgetary basis expenditures against carryover encumbrances are excluded. Expenditures are increased on the GAAP basis for these amounts.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. State statute requires short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
GAAP Basis (as reported)	(\$596,503)	\$11,902	\$198,288	\$6,413,425
Increase (Decrease):				
Accrued Revenues at December 31, 2001 received during 2002	(1,905,430)	(90,743)	0	(1,358,934)
Accrued Revenues at December 31, 2000 received during 2001	2,403,672	90,931	696	1,227,037
Accrued Expenditures at December 31, 2001 paid during 2002	737,555	200,958	153,738	773,139
Accrued Expenditures at December 31, 2000 paid during 2001	(1,028,440)	(185,836)	(153,738)	(307,849)
2000 Prepays for 2001	10,868	7,508	0	29,426
2001 Prepays for 2002	(18,369)	(11,084)	0	(30,492)
Changes in Cash With Fiscal Agent	0	0	0	(84,373)
Entity Difference	0	(13,340)	0	0
Outstanding Encumbrances	(279,987)	(61,994)	0	(6,419,232)
Budget Basis	<u>(\$676,634)</u>	<u>(\$51,698)</u>	<u>\$198,984</u>	<u>\$242,147</u>

E. 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."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 2001. 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, 2001.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Asset Account Group.

The fixed assets 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 fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed 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.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated.

H. Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds	General Obligation Bond Retirement Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Compensated Absences	General Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 one quarter of the total accrued hours up to a maximum of 600 hours paid.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group.

J. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during 2001.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

L. 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. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Advances to/from Other Funds."

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, loans receivable, debt service, restricted assets and encumbered amounts that have not been accrued at year end.

N. Total Columns on General Purpose Financial Statements

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”.

The changes to the beginning fund balances as a result of implementing GASB No. 33 and 36 are as follows:

Fund Name	Fund Balance as Reported 12/31/00	GASB No. 33 & 36 Implementation	Fund Balance as Restated 12/31/00
General Fund	\$11,720,665	\$165,672	\$11,886,337
Special Revenue Funds	1,442,688	32,739	1,475,427

In addition to the above noted change to fund balance the restatement of fund balances had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:

Fund Name	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Reported 12/31/00	GASB No. 33 & 36 Implementation	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Restated 12/31/00
General Fund	\$878,193	\$165,672	\$1,043,865
Special Revenue Funds	99,575	32,739	132,314

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficit at December 31, 2001 of \$44,322 in the Police Pension Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures on the budget basis of accounting. A deficit does not exist under the budget basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

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. 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 "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 no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but 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).

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. Based upon criteria described in GASB Statement No. 3, *"Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,"* collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At year end, the City had \$792,688 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2001.

A. Deposits

At year end the carrying amount of the City's deposits was \$18,508,942 and the bank balance was \$18,908,245. The Federal Deposit Insurance Corporation (FDIC) covered \$640,836 of the bank balance. All remaining deposits were classified as Category 3. In addition, the City had \$800 cash on hand. The deposit balance does not include cash on deposit with the Franklin County Treasurer reported in the Capital Projects Funds. (See above).

B. Investments

The City's Investments at December 31, 2001 are:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Carrying/ Fair Value</u>
Repurchase Agreement	\$377,000	\$377,000
 <u>Noncategorized Investments</u>		
STAR Ohio	N/A	10,788,335
Total Investments	<u>\$377,000</u>	<u>\$11,165,335</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$11,054,284	\$18,619,993
STAR Ohio	(10,788,335)	10,788,335
Repurchase Agreement	(377,000)	377,000
Certificates of Deposit		
(with maturities of more than 3 months)	<u>18,619,993</u>	<u>(18,619,993)</u>
Per GASB Statement No. 3	<u>\$18,508,942</u>	<u>\$11,165,335</u>

* Includes Cash with Fiscal Agent less funds on deposit with the Franklin County Treasurer of \$792,688.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reevaluated every six years and equalization adjustments made in the third year following the reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 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 year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts 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, 2001, was \$3.00 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 .30% (3.00 mills) of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	
Residential	\$296,814,690
Commercial	99,075,080
Industrial	22,261,470
Public Utility Real	58,770
Tangible Personal Property	57,818,547
Public Utility Tangible Personal	24,787,140
Total Assessed Valuation	<u>\$500,815,697</u>

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001. 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 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

B. Income Tax

The City levies and collects an income tax of 1.65 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 of Columbus administers and collects income taxes for the City of Worthington. Payments, net of a 1.476 percent collection fee, are remitted monthly for tax revenues received by Columbus in prior months.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts. The City also has loans receivable at December 31, 2001 in the amount of \$480,000. This is a result of a loan in the amount of \$600,000 given to Swim Inc. by the City for renovations to the swimming facilities. The loan is to be repaid over a twenty-year period at \$30,000 per year with no interest charges. Swim Inc. did not make its payment in 2001, however, it will pay \$60,000 in 2002.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2001:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$22,826	\$480,394
Special Revenue Funds:		
Police Pension Fund	272,000	0
Parks and Recreation Fund	0	22,826
Special Parks Fund	3,545	0
Bicentennial Trust Fund	15,000	0
Total Special Revenue Funds	<u>290,545</u>	<u>22,826</u>
Debt Service Fund:		
General Obligation Bond Retirement Fund	339,000	0
Capital Projects Fund:		
Capital Improvement Fund	<u>193,394</u>	<u>342,545</u>
Total All Funds	<u><u>\$845,765</u></u>	<u><u>\$845,765</u></u>

NOTE 8 - INTERFUND RECEIVABLES/PAYABLES

Individual interfund receivable and payable balances at December 31, 2001, were as follows:

A. Interfund Loans Receivable/Payable

	<u>Interfund Loan Receivables</u>	<u>Interfund Loan Payables</u>
Debt Service Fund:		
S.A. Bond Retirement Fund	\$0	\$153,738
Capital Projects Fund:		
Capital Improvement Fund	153,738	0
Totals	<u>\$153,738</u>	<u>\$153,738</u>

B. Due to/from Other Funds

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$17,301	\$0
Special Revenue Fund:		
Court Clerk Computer Fund	1,322	0
Agency Fund:		
Mayor's Court Fund	0	18,623
Totals	<u>\$18,623</u>	<u>\$18,623</u>

NOTE 9 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 2001, were as follows:

<u>Category</u>	<u>December 31, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2001</u>
Land	\$4,855,754	\$0	\$0	\$4,855,754
Land Improvements	164,786	0	0	164,786
Buildings	8,262,756	292,183	0	8,554,939
Equipment and Furniture	4,754,551	387,177	(60,490)	5,081,238
Vehicles	2,728,842	505,234	(309,229)	2,924,847
Construction in Progress	0	3,971,323	0	3,971,323
Totals	<u>\$20,766,689</u>	<u>\$5,155,917</u>	<u>(\$369,719)</u>	<u>\$25,552,887</u>

NOTE 10 – 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. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio 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 the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$582,266, \$430,409 and \$522,148, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$184,778.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio’s latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. 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. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$409,282, \$386,254 and \$380,040 for police and \$560,023, \$507,260 and \$478,097 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$157,416 representing 7.5% of covered payroll for police and \$175,007 representing 7.5% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

This space left blank intentionally

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 one quarter of the total accrued hours up to a maximum of 600 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, 2001, the total liability for accumulated unpaid compensated absences recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	24,863	\$545,246
Vacation / Compensatory Time	28,160	617,551
Total	<u>53,023</u>	<u>\$1,162,797</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 2001, 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	250/500
Property	21,880,816	5,000
Boiler and Machinery	2,500,000	5,000
Crime	100,000	1,000
Public Officials	5,000,000	10,000
Law Enforcement	1,000,000	10,000
Umbrella	4,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years.

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.

NOTE 12 - RISK MANAGEMENT (Continued)

B. Health Care Benefits

The City participates in the Central Ohio Health Care Consortium, a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of thirteen political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. 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 pays monthly contributions to the Pool, which are used to purchase excess loss insurance for the Pool, 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 115 percent of the expected costs of the Pool, which will allow the Pool 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 Pool's operations.

The Pool 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 Pool for medical claims paid to an individual in excess of \$150,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$7,097,622, 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 Pool, 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 three years.

The City currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate. After a vote to terminate the Pool, the Board would wind-up the Pool'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 Pool would continue to pay all claims and expenses until the Pool'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 Pool would be paid to the members of the Pools 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 Pool for the prior three calendar years of the Pool bore to all members' contributions to the Pool for that same period. The City's payment for health insurance coverage to the Central Ohio Health Care Consortium in 2001 was \$910,808.

NOTE 13 - LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2001, was as follows:

		Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
		<u> </u>	<u> </u>	<u> </u>
General Long-Term Debt:				
General Obligation Bonds:				
7.375% Huntley Road	1987	\$173,981	(\$24,854)	\$149,127
4.921% Various Purpose	2001	0	10,500,000	10,500,000
Total General Obligation Bonds		<u>173,981</u>	<u>10,475,146</u>	<u>10,649,127</u>
Special Assessment Bonds:				
10.375% Greenwich Street	1981	1,000	(1,000)	0
7.375% East Wilson Bridge Road	1986	210,000	(35,000)	175,000
7.375% Huntley Road	1987	211,019	(30,146)	180,873
Total Special Assessment Bonds		<u>422,019</u>	<u>(66,146)</u>	<u>355,873</u>
with Governmental Commitment				
Total General Long-Term Debt		<u>596,000</u>	<u>10,409,000</u>	<u>11,005,000</u>
Other Long-Term Obligations:				
Compensated Absences		<u>1,096,657</u>	<u>66,140</u>	<u>1,162,797</u>
Total Other Long-Term Obligations		<u>1,096,657</u>	<u>66,140</u>	<u>1,162,797</u>
Total General Long-Term Debt and Other Long-Term Obligations		<u><u>\$1,692,657</u></u>	<u><u>\$10,475,140</u></u>	<u><u>\$12,167,797</u></u>

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.

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The City issued \$10,500,000 in General Obligation, Limited Tax Various Purpose Bonds to construct an addition to the existing Community Center and develop a Municipal Police Complex. The bonds are dated April 3, 2001, maturing December 1, 2021, and have a total interest cost of 4.921%.

The principal amount of the City's special assessment debt outstanding at December 31, 2001, \$355,873, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The cash basis fund balance of \$240,669 in the Special Assessment Bond Retirement Fund at December 31, 2001 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$6,227.

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, 2001, follows:

Years	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2002	\$359,855	\$518,037	\$65,145	\$26,246	\$969,283
2003	374,854	502,804	65,146	21,441	964,245
2004	389,855	486,971	65,145	16,637	958,608
2005	399,854	470,538	65,146	11,832	947,370
2006	419,855	453,705	65,145	7,028	945,733
2007-2011	2,239,854	2,000,587	30,146	2,223	4,272,810
2012-2016	2,840,000	1,443,956	0	0	4,283,956
2017-2021	3,625,000	603,612	0	0	4,228,612
Totals	<u>\$10,649,127</u>	<u>\$6,480,210</u>	<u>\$355,873</u>	<u>\$85,407</u>	<u>\$17,570,617</u>

NOTE 14 - CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at December 31, 2001:

<u>Project</u>	<u>Amount</u>
Olentangy Bikeway Stabilization	\$4,652
Huntley/Wilson Bridge Study	40,251
2000 New and Replacement Equipment	6,000
Service/Engineering Building Renovations	3,547
Community Center Addition	5,190,164
Skate Park Facility	4,547
Tennis Court Resurfacing	240,288
2000 Street Improvement Program	1,189
2000 Sidewalk Program	21,197
Linworth Park/CBD Irrigation	8,038
CBD Glass Block Panels	14,325
Perry School Park Site/Restroom Facility	147,911
26 E. New England Parking Lot	8,542
Granville Boulevard Improvement	19,049
Proprietors Road Improvement	1,700
2001 New and Replacement Equipment	29,142
Flora Villa/SAMADA Storm Sewer	2,979
2000 Waterline Improvement Projects	193,028
2001-2002 Street Improvement Program	453,033
Longfellow/Bryant Sewer	22,650
	<u>\$6,412,232</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, 2001, to December 31, 2001, 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.

THE CITY OF WORTHINGTON, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Balance December 31, 2000	Additions	Deductions	Balance December 31, 2001
<u>Mayor's Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$35,116	\$376,642	(\$384,629)	\$27,129
Total Assets	<u>\$35,116</u>	<u>\$376,642</u>	<u>(\$384,629)</u>	<u>\$27,129</u>
Liabilities:				
Due to Other Funds	\$21,406	\$258,550	(\$261,333)	\$18,623
Intergovernmental Payables	12,301	65,863	(73,420)	4,744
Due to Others	1,409	52,229	(49,876)	3,762
Total Liabilities	<u>\$35,116</u>	<u>\$376,642</u>	<u>(\$384,629)</u>	<u>\$27,129</u>
<u>Accrued Acreage Fund</u>				
Assets:				
Cash and Cash Equivalents	\$6,310	\$12,225	(\$11,600)	\$6,935
Total Assets	<u>\$6,310</u>	<u>\$12,225</u>	<u>(\$11,600)</u>	<u>\$6,935</u>
Liabilities:				
Intergovernmental Payable	\$6,310	\$12,225	(\$11,600)	\$6,935
Total Liabilities	<u>\$6,310</u>	<u>\$12,225</u>	<u>(\$11,600)</u>	<u>\$6,935</u>
<u>Ohio Board of Building Standards Assessments</u>				
Assets:				
Cash and Cash Equivalents	\$1,384	\$724	(\$588)	\$1,520
Total Assets	<u>\$1,384</u>	<u>\$724</u>	<u>(\$588)</u>	<u>\$1,520</u>
Liabilities:				
Intergovernmental Payable	\$1,384	\$724	(\$588)	\$1,520
Total Liabilities	<u>\$1,384</u>	<u>\$724</u>	<u>(\$588)</u>	<u>\$1,520</u>
<u>Performance Trust Fund</u>				
Assets:				
Cash and Cash Equivalents	\$31,606	\$4,000	(\$2,100)	\$33,506
Total Assets	<u>\$31,606</u>	<u>\$4,000</u>	<u>(\$2,100)</u>	<u>\$33,506</u>
Liabilities:				
Due to Others	\$31,606	\$4,000	(\$2,100)	\$33,506
Total Liabilities	<u>\$31,606</u>	<u>\$4,000</u>	<u>(\$2,100)</u>	<u>\$33,506</u>

(Continued)

THE CITY OF WORTHINGTON, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Balance December 31, 2000	Additions	Deductions	Balance December 31, 2001
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$39,300	\$16,949	(\$14,288)	\$41,961
Cash with Fiscal Agent	35,116	376,642	(384,629)	27,129
Total Assets	<u>\$74,416</u>	<u>\$393,591</u>	<u>(\$398,917)</u>	<u>\$69,090</u>
Liabilities:				
Due to Other Funds	\$21,406	\$258,550	(\$261,333)	\$18,623
Intergovernmental Payables	19,995	78,812	(85,608)	13,199
Due to Others	33,015	56,229	(51,976)	37,268
Total Liabilities	<u>\$74,416</u>	<u>\$393,591</u>	<u>(\$398,917)</u>	<u>\$69,090</u>

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and City Manager
The City of Worthington
6550 North High Street
Worthington, OH 43085

We have audited the general purpose financial statements of the City of Worthington as of and for the year ended December 31, 2001, and have issued our report thereon dated May 10, 2002. As disclosed in Note 2 to the general purpose financial statements, the City implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Worthington's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Worthington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the City of Worthington in a separate letter dated May 10, 2002.

This report is intended for the information of the City of Worthington and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
May 10, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 2, 2002**