

Dave Yost • Auditor of State



CITY OF WORTHINGTON  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of December 31, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

October 16, 2012

# **CITY OF WORTHINGTON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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The discussion and analysis of the City of Worthington's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for 2011 are as follows:**

- ❑ Net assets increased \$2,388,020 which represents a 5.3% increase from 2010.
- ❑ General revenues accounted for \$25.0 million in revenue or 83.1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.1 million or 16.9% of total revenues of \$30.1 million.
- ❑ The City had \$27.8 million in expenses related to governmental activities; only \$5.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$25.0 million and net assets were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$24.5 million in revenues and \$22.3 million in expenditures. The general fund's fund balance increased \$1,650,930 to \$5,150,335.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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## **Government-Wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

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

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

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

## **Fund Financial Statements**

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

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

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



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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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

The following table provides a comparison of the City's net assets as of December 31, 2011 and 2010:

	Governmental Activities	
	2011	2010
Current and other assets	\$21,332,689	\$19,908,298
Capital assets, Net	40,814,018	38,965,788
Total assets	62,146,707	58,874,086
Long-term debt outstanding	9,797,021	8,694,737
Other liabilities	4,539,038	4,756,721
Total liabilities	14,336,059	13,451,458
Net assets		
Invested in capital assets, net of related debt	32,299,018	31,500,788
Restricted	8,770,218	10,883,613
Unrestricted	6,741,412	3,038,227
Total net assets	\$47,810,648	\$45,422,628

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# CITY OF WORTHINGTON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2011

Unaudited

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal years 2011 and 2010:

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for Services and Sales	\$3,801,208	\$4,088,206
Operating Grants and Contributions	1,350,663	800,724
Total Program Revenues	5,151,871	4,888,930
General revenues:		
Property Taxes	2,527,234	2,698,587
Municipal Income Taxes	20,286,588	16,640,885
Other Local Taxes	170,836	167,732
Intergovernmental, Unrestricted	1,365,348	1,496,600
Investment Earnings	101,432	95,344
Miscellaneous	540,794	435,416
Total General Revenues	24,992,232	21,534,564
Total Revenues	30,144,103	26,423,494
Program Expenses		
Security of Persons and Property	10,653,113	10,401,489
Public Health and Welfare Services	61,674	50,284
Leisure Time Activities	4,407,676	4,454,778
Community Environment	899,821	728,211
Basic Utility Services	1,901,240	1,842,757
Transportation	3,770,597	3,330,677
General Government	5,671,954	5,633,211
Other Expenditures	32,255	32,340
Interest and Fiscal Charges	357,753	353,497
Total expenses	27,756,083	26,827,244
Total Change in Net Assets	2,388,020	(403,750)
Beginning Net Assets	45,422,628	45,826,378
Ending Net Assets	\$47,810,648	\$45,422,628

### Governmental Activities

Net assets of the City's governmental activities increased \$2,388,020. 2011 was the first full year of a 0.5% increase in the income tax rate which resulted in increased income tax collections. Overall expenses remained stable, increasing approximately 3%.

# CITY OF WORTHINGTON, OHIO

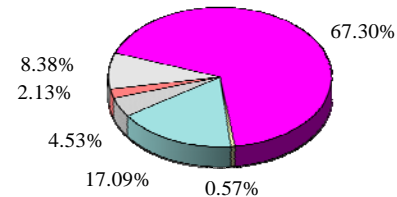
## Management's Discussion and Analysis For the Year Ended December 31, 2011

Unaudited

The City also receives an income tax and a hotel/motel tax. The income tax is based on 2.5% of all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. The hotel/motel tax is based on 5.00% of all lodging revenues.

Property taxes and income taxes made up 8.38% and 67.30% respectively of revenues for governmental activities for the City in fiscal year 2011, while other local taxes made up 0.57%. The City's reliance upon tax revenues is demonstrated by the following graph indicating 76.25% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
Property Taxes	\$2,527,234	8.38%
Income Taxes	20,286,588	67.30%
Other Local Taxes	170,836	0.57%
Program Revenues	5,151,871	17.09%
Intergovernmental, Unrestricted	1,365,348	4.53%
General Other	642,226	2.13%
<b>Total Revenue</b>	<b>\$30,144,103</b>	<b>100.00%</b>



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$14,740,623, which is an increase from last year's balance of \$13,667,672. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Restated Fund Balance December 31, 2010	Increase (Decrease)
General	\$5,150,335	\$3,499,405	\$1,650,930
Capital Improvement	7,088,896	7,804,579	(715,683)
Other Governmental	2,501,392	2,363,688	137,704
<b>Total</b>	<b>\$14,740,623</b>	<b>\$13,667,672</b>	<b>\$1,072,951</b>

# CITY OF WORTHINGTON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2011

Unaudited

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

	2011 Revenues	2010 Revenues	Increase (Decrease)
Property Taxes	\$2,277,600	\$2,430,847	(\$153,247)
Municipal Income Taxes	17,100,122	14,660,646	2,439,476
Other Local Taxes	170,836	167,732	3,104
Intergovernmental Revenues	1,443,932	1,599,714	(155,782)
Charges for Services	2,513,965	2,758,899	(244,934)
Licenses, Permits and Fees	403,710	329,337	74,373
Investment Earnings	101,361	94,851	6,510
Special Assessments	15,200	15,924	(724)
Fines and Forfeitures	172,230	182,185	(9,955)
All Other Revenue	255,496	242,845	12,651
<b>Total</b>	<b>\$24,454,452</b>	<b>\$22,482,980</b>	<b>\$1,971,472</b>

General Fund revenues in 2011 increased 8.7% when compared with the prior year. 2011 was the first full year of a 0.5% increase in the income tax rate which resulted in increased income tax collections.

	2011 Expenditures	Restated 2010 Expenditures	Increase (Decrease)
Security of Persons and Property	\$9,633,915	\$9,358,653	\$275,262
Public Health and Welfare Services	61,674	50,284	11,390
Leisure Time Activities	3,146,393	3,007,206	139,187
Community Environment	872,003	709,338	162,665
Basic Utility Services	1,770,875	1,745,040	25,835
Transportation	1,502,205	1,416,205	86,000
General Government	5,309,202	5,181,190	128,012
<b>Total</b>	<b>\$22,296,267</b>	<b>\$21,467,916</b>	<b>\$828,351</b>

General Fund expenditures increased \$828,351 over the prior year. Costs for contractual services within the police and fire departments contributed to the increase in security of persons and property while salary increases resulted in the increase in community environment.

**Capital Improvement Fund** – The City's Capital Improvement Fund reported \$1.6 million of long term note proceeds for various capital improvements. Capital expenditures increased substantially from the prior year. Fund balance decreased 9% as expenditures continued to outpace revenues.

# **CITY OF WORTHINGTON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

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

During the course of fiscal year 2011 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$23.6 million did not change from original budget estimates. Actual budget basis revenues were 3% higher than final estimates due to increases in income tax collections. Original and final budgeted expenditures were not significantly different. Actual budget basis expenditures were 4% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2011 the City had \$40,814,018 net of accumulated depreciation invested in land, construction in progress, land improvements, buildings, infrastructure, equipment and furniture, and vehicles. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$4,855,754	\$4,855,754	\$0
Construction In Progress	2,534,933	1,864,064	670,869
Land Improvements	164,786	164,786	0
Buildings	19,790,706	19,790,706	0
Infrastructure	32,601,460	31,438,860	1,162,600
Equipment and Furniture	9,942,525	9,229,822	712,703
Vehicles	4,883,966	4,431,794	452,172
Less: Accumulated Depreciation	<u>(33,960,112)</u>	<u>(32,809,998)</u>	<u>(1,150,114)</u>
Totals	<u>\$40,814,018</u>	<u>\$38,965,788</u>	<u>\$1,848,230</u>

The primary increases occurred in construction in progress and infrastructure as the City continued making progress with its street and sidewalk improvement plans. The change in vehicles included the purchase of a fire truck.

As of December 31, 2011, the City had contractual commitments of \$751,105 related to street improvements, equipment replacements, waterline replacements and municipal building improvements. Additional information on the City's capital assets can be found in Note 8.

# **CITY OF WORTHINGTON, OHIO**

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## **Management's Discussion and Analysis For the Year Ended December 31, 2011**

**Unaudited**

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### **Debt**

At December 31, 2011, the City had \$6,915,000 in bonds outstanding, \$570,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds	\$6,511,478	\$7,021,125
Bond Anticipation Notes	1,600,000	0
OPWC Loan	128,866	136,676
Compensated Absences	1,556,677	1,536,936
Total Governmental Activities	<u>\$9,797,021</u>	<u>\$8,694,737</u>

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

### **ECONOMIC FACTORS**

In 2011, Worthington experienced notable business and development investment in the community. A number of existing Worthington businesses announced plans to expand and add jobs. These businesses included Diamond Innovations, Mediu, Mettler Toledo and Prosper Business Development. Additionally, the redevelopment of Worthington Square Mall into the Shops at Worthington Place gained momentum as the new owners began interior and exterior renovations and announced a number of new tenants. The property immediately west of the Shops at Worthington Place also experienced revitalization as Insight Bank purchased the property and began the major renovations necessary to transform the building from vacant restaurant and office space to the bank's headquarters and branch operations.

The City of Worthington continued its efforts to lay the groundwork for additional economic development successes in the future. It marketed the community to businesses, commercial brokers and developers to build awareness and knowledge of Worthington and the options it offers for business activity. Additionally, the City Council approved the long-term study and vision for the Wilson Bridge Road Corridor to help guide future redevelopment of this key commercial area of the City.

### **REQUESTS FOR INFORMATION**

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

# CITY OF WORTHINGTON, OHIO

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## Statement of Net Assets December 31, 2011

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Pooled Cash and Investments	\$ 12,745,008
Receivables:	
Taxes	6,594,476
Accounts	285,858
Intergovernmental	855,220
Interest	6,364
Special Assessments	130,134
Loans	210,000
Prepaid Items	86,200
Restricted Assets:	
Cash and Cash Equivalents	992
Cash and Cash Equivalents with Fiscal Agent	418,437
Capital Assets:	
Capital Assets Not Being Depreciated	7,390,687
Capital Assets Being Depreciated, Net	33,423,331
<b>Total Assets</b>	<b>62,146,707</b>
<b>Liabilities:</b>	
Accounts Payable	180,079
Accrued Wages and Benefits	289,720
Intergovernmental Payable	948,513
Contracts Payable	308,534
Retainage Payable	191,793
Matured Bonds & Interest Payable	166
Unearned Revenue	2,575,831
Accrued Interest Payable	44,402
Noncurrent liabilities:	
Due within one year	1,020,500
Due in more than one year	8,776,521
<b>Total Liabilities</b>	<b>14,336,059</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	32,299,018
Restricted For:	
Capital Projects	6,505,049
Debt Service	949,522
Other Purposes	1,315,647
Unrestricted (Deficit)	6,741,412
<b>Total Net Assets</b>	<b>\$ 47,810,648</b>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

## Statement of Activities For the Year Ended December 31, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and
				Changes in
				Net Assets
				Governmental
				Activities
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 10,653,113	\$ 1,278,691	\$ 26,917	\$ (9,347,505)
Public Health and Welfare Services	61,674	0	2,708	(58,966)
Leisure Time Activities	4,407,676	2,130,067	0	(2,277,609)
Community Environment	899,821	301,684	0	(598,137)
Basic Utility Services	1,901,240	90,766	0	(1,810,474)
Transportation	3,770,597	0	1,321,038	(2,449,559)
General Government	5,671,954	0	0	(5,671,954)
Other Expenditures	32,255	0	0	(32,255)
Interest and Fiscal Charges	357,753	0	0	(357,753)
<b>Total Governmental Activities</b>	<b>\$ 27,756,083</b>	<b>\$ 3,801,208</b>	<b>\$ 1,350,663</b>	<b>(22,604,212)</b>

### General Revenues

Property Taxes Levied for:	
General Purposes	2,274,283
Bond Retirement	92,611
Police Pension	160,340
Municipal Income Taxes	20,286,588
Other Local Taxes	170,836
Intergovernmental, Unrestricted	1,365,348
Investment Earnings	101,432
Miscellaneous	540,794
<b>Total General Revenues</b>	<b>24,992,232</b>
Change in Net Assets	2,388,020
Net Assets Beginning of Year	45,422,628
Net Assets End of Year	<b>\$ 47,810,648</b>

See accompanying notes to the basic financial statements



# CITY OF WORTHINGTON, OHIO

## Balance Sheet Governmental Funds December 31, 2011

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled Cash and Investments	\$ 3,385,695	\$ 6,659,027	\$ 2,700,286	\$ 12,745,008
Receivables:				
Taxes	5,812,995	532,604	248,877	6,594,476
Accounts	243,125	0	42,733	285,858
Intergovernmental	457,264	0	397,956	855,220
Interest	6,364	0	0	6,364
Special Assessments	0	130,134	0	130,134
Loans	0	210,000	0	210,000
Interfund Loans Receivable	0	153,738	0	153,738
Prepaid Items	39,131	47,069	0	86,200
Restricted Assets:				
Cash and Cash Equivalents	0	0	992	992
Cash and Cash Equivalents with Fiscal Agent	0	418,271	166	418,437
<b>Total Assets</b>	<b>\$ 9,944,574</b>	<b>\$ 8,150,843</b>	<b>\$ 3,391,010</b>	<b>\$ 21,486,427</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 171,690	\$ 0	\$ 8,389	\$ 180,079
Accrued Wages and Benefits Payable	272,219	0	17,501	289,720
Intergovernmental Payable	742,744	24,274	181,495	948,513
Contracts Payable	116,329	182,980	9,225	308,534
Retainage Payable	0	191,793	0	191,793
Matured Bonds and Interest Payable	0	0	166	166
Interfund Loans Payable	0	0	153,738	153,738
Deferred Revenue	3,491,257	662,900	519,104	4,673,261
<b>Total Liabilities</b>	<b>4,794,239</b>	<b>1,061,947</b>	<b>889,618</b>	<b>6,745,804</b>
<b>Fund Balances:</b>				
Nonspendable	39,131	257,069	0	296,200
Restricted	0	0	2,130,399	2,130,399
Committed	402,659	6,831,827	441,901	7,676,387
Assigned	21,489	0	0	21,489
Unassigned	4,687,056	0	(70,908)	4,616,148
<b>Total Fund Balances</b>	<b>5,150,335</b>	<b>7,088,896</b>	<b>2,501,392</b>	<b>14,740,623</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,944,574</b>	<b>\$ 8,150,843</b>	<b>\$ 3,391,010</b>	<b>\$ 21,486,427</b>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

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## *Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2011*

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<b>Total Governmental Fund Balances</b>		\$	14,740,623
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>			
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.			40,814,018
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			2,097,430
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General Obligation Notes Payable	(1,600,000)		
General Obligation Bonds Payable	(6,915,000)		
Unamortized Deferred Loss on Refunding	403,522		
OPWC Loan Payable	(128,866)		
Compensated Absences Payable	(1,556,677)		
Accrued Interest Payable	(44,402)		
			<u>(9,841,423)</u>
<b>Net Assets of Governmental Activities</b>		\$	<u>47,810,648</u>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2011

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 2,277,600	\$ 0	\$ 253,291	\$ 2,530,891
Municipal Income Taxes	17,100,122	2,703,884	0	19,804,006
Other Local Taxes	170,836	0	0	170,836
Intergovernmental Revenues	1,443,932	133,824	812,048	2,389,804
Charges for Services	2,513,965	0	885,497	3,399,462
Licenses, Permits and Fees	403,710	0	0	403,710
Investment Earnings	101,361	0	71	101,432
Special Assessments	15,200	38,944	0	54,144
Fines and Forfeitures	172,230	0	14,665	186,895
All Other Revenue	255,496	0	9,894	265,390
<b>Total Revenue</b>	<b>24,454,452</b>	<b>2,876,652</b>	<b>1,975,466</b>	<b>29,306,570</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	9,633,915	0	539,703	10,173,618
Public Health and Welfare Services	61,674	0	0	61,674
Leisure Time Activities	3,146,393	0	823,368	3,969,761
Community Environment	872,003	0	298	872,301
Basic Utility Services	1,770,875	0	130,355	1,901,230
Transportation	1,502,205	0	821,149	2,323,354
General Government	5,309,202	25,523	4,275	5,339,000
Capital Outlay	0	4,309,381	0	4,309,381
Debt Service:				
Principal Retirement	0	3,905	553,905	557,810
Interest and Fiscal Charges	0	0	293,235	293,235
<b>Total Expenditures</b>	<b>22,296,267</b>	<b>4,338,809</b>	<b>3,166,288</b>	<b>29,801,364</b>
Excess (Deficiency) of Revenues				
Over Expenditures	2,158,185	(1,462,157)	(1,190,822)	(494,794)
<b>Other Financing Sources (Uses):</b>				
Sale of Notes	0	1,600,000	0	1,600,000
Transfers In	0	0	1,403,526	1,403,526
Transfers Out	(475,000)	(853,526)	(75,000)	(1,403,526)
Other Financing Uses	(32,255)	0	0	(32,255)
<b>Total Other Financing Sources (Uses)</b>	<b>(507,255)</b>	<b>746,474</b>	<b>1,328,526</b>	<b>1,567,745</b>
Net Change in Fund Balances	1,650,930	(715,683)	137,704	1,072,951
<b>Fund Balances at Beginning of Year - Restated</b>	<b>3,499,405</b>	<b>7,804,579</b>	<b>2,363,688</b>	<b>13,667,672</b>
<b>Fund Balances End of Year</b>	<b>\$ 5,150,335</b>	<b>\$ 7,088,896</b>	<b>\$ 2,501,392</b>	<b>\$ 14,740,623</b>

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

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## ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2011***

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Net Change in Fund Balances - Total Governmental Funds \$ 1,072,951

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

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

Capital Outlay	3,774,498	
Depreciation Expense	<u>(1,926,268)</u>	1,848,230

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 593,288

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

Long Term Note Issuance		(1,600,000)
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	550,000	
Deferred Loss on Bond Refunding	(40,353)	
OPWC Loan Principal Payment	<u>7,810</u>	517,457

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (24,165)

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

Compensated Absences		<u>(19,741)</u>
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***Change in Net Assets of Governmental Activities*** \$ 2,388,020

See accompanying notes to the basic financial statements

# CITY OF WORTHINGTON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 2,425,000	\$ 2,425,000	\$ 2,264,135	\$ (160,865)
Municipal Income Taxes	15,882,074	15,882,074	16,925,014	1,042,940
Other Local Taxes	175,000	175,000	172,127	(2,873)
Intergovernmental Revenue	1,446,616	1,446,616	1,546,422	99,806
Charges for Services	2,445,000	2,445,000	2,490,729	45,729
Licenses, Permits and Fees	324,500	324,500	390,848	66,348
Investment Earnings	300,000	300,000	81,927	(218,073)
Special Assessments	100,000	100,000	15,688	(84,312)
Fines and Forfeitures	190,000	190,000	170,559	(19,441)
All Other Revenues	300,000	300,000	237,556	(62,444)
<b>Total Revenues</b>	<b>23,588,190</b>	<b>23,588,190</b>	<b>24,295,005</b>	<b>706,815</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	9,994,027	10,161,233	9,805,264	355,969
Public Health and Welfare Services	60,000	62,944	62,944	0
Leisure Time Activities	3,460,031	3,328,510	3,208,841	119,669
Community Environment	691,367	709,396	689,847	19,549
Basic Utility Services	2,538,216	2,012,983	1,988,953	24,030
Transportation	539,002	1,651,386	1,592,481	58,905
General Government	5,714,100	5,714,681	5,433,163	281,518
<b>Total Expenditures</b>	<b>22,996,743</b>	<b>23,641,133</b>	<b>22,781,493</b>	<b>859,640</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	591,447	(52,943)	1,513,512	1,566,455
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(475,000)	(775,000)	(775,000)	0
Other Financing Uses	(50,000)	(67,000)	(35,255)	31,745
<b>Total Other Financing Sources (Uses):</b>	<b>(525,000)</b>	<b>(842,000)</b>	<b>(810,255)</b>	<b>31,745</b>
Net Change in Fund Balance	66,447	(894,943)	703,257	1,598,200
Fund Balance at Beginning of Year	1,187,137	1,187,137	1,187,137	0
Prior Year Encumbrances	503,599	503,599	503,599	0
<b>Fund Balance at End of Year</b>	<b>\$ 1,757,183</b>	<b>\$ 795,793</b>	<b>\$ 2,393,993</b>	<b>\$ 1,598,200</b>

See accompanying notes to the basic financial statements

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

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## ***Statement of Assets and Liabilities Fiduciary Fund December 31, 2011***

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 80,091
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>20,467</u>
<b>Total Assets</b>	<u>100,558</u>
<b>Liabilities:</b>	
Intergovernmental Payable	25,769
Due to Others	<u>74,789</u>
<b>Total Liabilities</b>	<u>\$ 100,558</u>

See accompanying notes to the basic financial statements

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds and departments that are not legally separate from the City. The City provides various services including police protection, fire protection, parks and recreation (including the community center), planning, zoning, street maintenance and repair, community development, 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.

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

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

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



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

Revenues considered susceptible to accrual at year end include income taxes 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.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, 2011 are recorded as deferred revenue.

Property taxes measurable as of December 31, 2011, but which are not intended to finance 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

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

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

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

Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended certificate issued during 2011.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

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

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

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

The "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

# CITY OF WORTHINGTON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

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

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

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

- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Outstanding year end encumbrances are treated as expenditures (budget basis).

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$1,650,930
Increase (Decrease):	
Accrued Revenues at December 31, 2011 received during 2012	(3,057,437)
Accrued Revenues at December 31, 2010 received during 2011	2,925,455
Accrued Expenditures at December 31, 2011 paid during 2012	1,302,982
Accrued Expenditures at December 31, 2010 paid during 2011	(1,426,005)
2010 Prepays for 2011	31,242
2011 Prepays for 2012	(39,131)
Outstanding Encumbrances	(549,101)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(135,678)</u>
Budget Basis	<u><u>\$703,257</u></u>

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

Investment earnings of \$45,165 earned by other funds were credited to the General Fund as required by State Statute.

#### **G. Investments**

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

The City has invested funds in the STAR Ohio during 2011. 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, 2011.

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

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

##### 2. Depreciation

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

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

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

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund
OPWC Loan	Capital Improvement Fund, General Obligation Bond Retirement Fund
Compensated Absences	General Fund

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

#### **L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **M. Pensions**

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

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

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

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

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From/To Other Funds" on the balance sheet. The City had no "Due From/Other Funds" at December 31, 2011. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

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

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

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

#### **S. Estimates**

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

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**CITY OF WORTHINGTON, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND  
BALANCE/NET ASSETS**

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

The application of GASB 54 resulted in the reclassification of funds as detailed below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance/Net Assets		
at December 31, 2010	\$3,224,198	\$2,638,895
GASB 54 Fund Reclassification	<u>275,207</u>	<u>(275,207)</u>
Net Assets, as Restated	<u><u>\$3,499,405</u></u>	<u><u>\$2,363,688</u></u>

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# CITY OF WORTHINGTON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

### NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Loans Receivable	\$0	\$210,000	\$0	\$210,000
Prepaid Items	39,131	47,069	0	86,200
Total Nonspendable	39,131	257,069	0	296,200
Restricted:				
Street Maintenance and Repair	0	0	498,395	498,395
Law Enforcement	0	0	89,514	89,514
Court Improvements	0	0	191,450	191,450
Building Code Inspection	0	0	12,453	12,453
Debt Retirement	0	0	963,438	963,438
Capital Improvements	0	0	375,149	375,149
Total Restricted	0	0	2,130,399	2,130,399
Committed:				
Economic Development	402,659	0	0	402,659
Parks and Recreation	0	0	144,090	144,090
Water Public Works	0	0	120,559	120,559
Sewer Public Works	0	0	27,193	27,193
Technology Improvements	0	0	80,000	80,000
Bicentennial Celebration	0	0	70,059	70,059
Capital Improvements	0	6,831,827	0	6,831,827
Total Committed	402,659	6,831,827	441,901	7,676,387
Assigned:				
Other Purposes	21,489	0	0	21,489
Total Assigned	21,489	0	0	21,489
Unassigned (Deficits):	4,687,056	0	(70,908)	4,616,148
Total Fund Balances	\$5,150,335	\$7,088,896	\$2,501,392	\$14,740,623

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **A. Deposits**

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

At year end the carrying amount of the City's deposits was \$8,187,211 and the bank balance was \$8,490,084. Federal depository insurance covered \$2,446,070 of the bank balance and \$6,044,014 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$6,044,014</u>
Total Balance	<u><u>\$6,044,014</u></u>

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **B. Investments**

The City's investments at December 31, 2011 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$1,215,625	AAAm <sup>1</sup>	\$1,215,625	\$0
Negotiable CD's	<u>3,862,159</u>	AAA <sup>2</sup>	<u>1,343,029</u>	<u>2,519,130</u>
Total Investments	<u>\$5,077,784</u>		<u>\$2,558,654</u>	<u>\$2,519,130</u>

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

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

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

*Concentration of Credit Risk* – The City limits the amount the City may invest in one issuer to 30% of the City's investable funds. Of the City's total investments, 24% are STAR Ohio and 76% are negotiable certificates of deposit.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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### **NOTE 5 - TAXES**

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

Property taxes include amounts levied against all real estate and public utility property and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business a railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

The County Treasurer collects property taxes on behalf of all taxing Cities in the County, including the City of Worthington. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2011, was \$5.00 per \$1,000 of assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .50% (5.00 mills) of assessed value.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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### **NOTE 5 – TAXES (Continued)**

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

The assessed values of real and public utility tangible personal property upon which 2011 property tax receipts were based are as follows:

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

Property taxes receivable represent real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011. 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 2011 operations. The receivable is therefore offset by a credit to deferred revenue.

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

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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### **NOTE 6 - RECEIVABLES**

Receivables at December 31, 2011, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts.

The City also has loans receivable at December 31, 2011 in the amount of \$210,000. 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. In 2010 the City passed an ordinance allowing the deferral of principal and interest on the loan for years 2010 and 2011. The balance of the loan will be payable in equal annual installments of \$35,000 on or before December 31 of each year beginning December 2012.

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

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$475,000
Capital Improvement Fund	0	853,526
Nonmajor Governmental Funds	<u>1,403,526</u>	<u>75,000</u>
Total All Funds	<u><u>\$1,403,526</u></u>	<u><u>\$1,403,526</u></u>

Individual interfund loans receivable and payable balances at December 31, 2011, were as follows:

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

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# CITY OF WORTHINGTON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

### NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2011:

**Historical Cost:**

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$4,855,754	\$0	\$0	\$4,855,754
Construction in Progress	1,864,064	2,373,846	(1,702,977)	2,534,933
	6,719,818	2,373,846	(1,702,977)	7,390,687
<i>Capital assets being depreciated:</i>				
Land Improvements	164,786	0	0	164,786
Buildings	19,790,706	0	0	19,790,706
Infrastructure	31,438,860	1,162,600	0	32,601,460
Equipment and Furniture	9,229,822	722,885	(10,182)	9,942,525
Vehicles	4,431,794	1,218,144	(765,972)	4,883,966
Total Cost	\$71,775,786	\$5,477,475	(\$2,479,131)	\$74,774,130

**Accumulated Depreciation:**

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Land Improvements	(\$164,787)	\$0	\$0	(\$164,787)
Buildings	(5,731,923)	(405,295)	0	(6,137,218)
Infrastructure	(18,789,929)	(742,118)	0	(19,532,047)
Equipment and Furniture	(5,597,367)	(448,034)	10,182	(6,035,219)
Vehicles	(2,525,992)	(330,821)	765,972	(2,090,841)
Total Depreciation	(\$32,809,998)	(\$1,926,268) *	\$776,154	(\$33,960,112)
<b>Net Value:</b>	\$38,965,788			\$40,814,018

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

Security of Persons and Property	\$498,683
Leisure Time Activities	439,992
Community Environment	14,658
Transportation	914,866
General Government	58,069
Total Depreciation Expense	\$1,926,268

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$655,982, \$624,344 and \$515,403, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2011 were \$26,488 made by the City and \$18,920 made by the plan members.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$345,154, \$347,162 and \$347,225 for police and \$534,728, \$521,674 and \$490,534 for firefighters, respectively, which were equal to the required contributions for each year.

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$262,393, \$317,374 and \$370,639, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$182,729, \$183,792 and \$183,825 for police and \$209,241, \$204,133 and \$191,948 for firefighters, respectively, which were equal to the required contributions for each year.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

At December 31, 2011, the total liability for accumulated unpaid compensated absences reported as long-term obligations of the City was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	23,707	\$717,490
Vacation / Compensatory Time	27,723	839,187
Total	<u>51,430</u>	<u>\$1,556,677</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 2011, the City contracted with various insurance agencies for various insurance, which includes the following types of insurance, amount of coverage and the amount of deductible:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$2,000,000	\$5,000
Automobile	1,000,000	500/1,000
Property	59,379,817	5,000
Boiler and Machinery	2,500,000	5,000
Crime	250,000	2,500
Public Officials	1,000,000	10,000
Law Enforcement	1,000,000	10,000
Umbrella	5,000,000	0

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

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



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

The City participates in the Central Ohio Health Care Consortium (COHCC), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The COHCC consists of nine political subdivisions that pool risk for basic hospital, surgical and prescription drug coverage. The COHCC is governed by a Board of Directors consisting of one director appointed by each member municipality. The Board elects a chairman, vice-chairman, secretary and treasurer. The Board is responsible for its own financial matters and the COHCC maintains its own books of account. Budgeting and financing of the COHCC are subject to the approval of the Board. The City pays monthly contributions to the COHCC, which are used to purchase excess loss insurance for the COHCC to pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The monthly contribution is determined for each member in accordance with the number of covered officers and employees, and the prior loss experience of the respective member group. The members' contributions represent 115 percent of the expected costs of the COHCC, which will allow the COHCC to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the COHCC's operations. Financial information for the COHCC can be obtained from James M. Nicholson, Treasurer, COHCC, 99 W. Main Street, P.O. Box 188, New Albany, Ohio 43054.

The COHCC has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the COHCC for medical claims paid to an individual in excess of \$175,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the COHCC for aggregate claims paid in excess of \$12,978,197, to a maximum of \$1,000,000 annually. In the event that the losses of the consortium in any year exceeds amounts paid to the COHCC, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years.

The City currently has no specified percentage share of the COHCC. The only time at which a percentage share would be calculated occurs if the COHCC votes to terminate ongoing operations. After a vote to terminate the COHCC, the Board would wind-up the COHCC's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the COHCC would continue to pay all claims and expenses until the COHCC's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the COHCC would be paid to the members of the COHCC who are members as of the termination date. The Board would determine the manner in which such surplus funds would be distributed, and would consider the percentage relationship which each member's contributions to the COHCC for the prior three calendar years of the COHCC bore to all members' contributions to the COHCC for that same period. The City's payment for health insurance coverage to COHCC in 2011 was \$2,003,253. Dental, vision and life insurance benefits are also provided. The family and single rates are not gender and age sensitive, and are the same for each class of employees.

# **CITY OF WORTHINGTON, OHIO**

## **Notes to the Basic Financial Statements For the Year Ended December 31, 2011**

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

Detail of the changes in the bonds, loans, and compensated absences of the City for the year ended December 31, 2011, were as follows:

	Balance December 31, 2010	Issued	(Retired)	Balance December 31, 2011	Amount Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2001 4.921% Various Purpose	\$480,000	\$0	(\$480,000)	\$0	\$0
2005 3.890% Various Purpose Refunding	6,985,000	0	(70,000)	6,915,000	570,000
2005 Deferred Loss on Refunding	(443,875)	0	40,353	(403,522)	(40,353)
Total General Obligation Bonds	<u>7,021,125</u>	<u>0</u>	<u>(509,647)</u>	<u>6,511,478</u>	<u>529,647</u>
Long Term Bond Anticipation Notes:					
1.500% Fire Truck	0	1,000,000	0	1,000,000	0
1.500% Davis Estates Waterline	0	600,000	0	600,000	0
Total Long Term Bond Anticipation Notes	<u>0</u>	<u>1,600,000</u>	<u>0</u>	<u>1,600,000</u>	<u>0</u>
OPWC Loan:					
0.000% Old Worthington ADA Ramps	136,676	0	(7,810)	128,866	7,810
Compensated Absences					
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$8,694,737</u>	<u>\$2,102,784</u>	<u>(\$1,000,500)</u>	<u>\$9,797,021</u>	<u>\$1,020,500</u>

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2011, follows:

Years	General Obligation Bonds		OPWC Loan		Various Purpose BAN	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$570,000	\$270,075	\$7,810	\$0	\$1,600,000	\$21,896
2013	615,000	248,700	7,810	0	0	0
2014	635,000	224,100	7,810	0	0	0
2015	655,000	198,700	7,810	0	0	0
2016	680,000	174,138	7,810	0	0	0
2017-2021	3,760,000	460,237	39,050	0	0	0
2022-2026	0	0	39,050	0	0	0
2027-2028	0	0	11,716	0	0	0
Totals	<u>\$6,915,000</u>	<u>\$1,575,950</u>	<u>\$128,866</u>	<u>\$0</u>	<u>\$1,600,000</u>	<u>\$21,896</u>

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

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

The net proceeds of the 2005 Various Purposes General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$6,465,000 at December 31, 2011, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

The City had the following outstanding commitments at December 31, 2011:

<u>Project</u>	<u>Amount</u>
Community Center Addition	\$49,531
Records Management & Mobile Data System	20,996
Firefighter Community Park	4,348
Worthington Kilbourne Memorial Renovation	71,429
S.E. Sewer Shed Study & Master Plan	20,348
2008 New & Replacement Equipment	16,637
Kenyonbrook Sewer Siphon Removal	109
Public Safety Network Upgrades	32,950
Northbrook Relief Sewer Phase II Design	1,262
Building Improvement Program	39,280
Community Center Entrance Pavilion	51,709
2010 Street Improvement Program	1,025
Community Center Swimming Pool Improvements	8,103
Indianola Playground Improvements	150,000
2011 New & Replacement Equipment	61,307
Central Business District Improvements - Baskets, Benches, Rac	2,201
2011 Street Improvement Program	50,156
West Wilson Bridge Road Resurfacing	41,369
SE Sewer Shed Basins 6&8 SSES	128,345
	<u>\$751,105</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, 2011, to December 31, 2011, the City received state and federal grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

#### **NOTE 17 – JOINT VENTURE**

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

#### **NOTE 18 – SUBSEQUENT EVENTS**

On January 27, 2012, the City issued bond anticipation notes in the amount of \$1,860,000 to retire notes previously issued in the amount of \$1,600,000 for the acquisition of water lines, sewer lines, pumping stations and related equipment and replacing, constructing, and installing a waterline for the Davis Estates subdivision and an issuance of an additional \$360,000 for the community center window replacement project. The notes have an interest rate of 0.88% and mature on January 25, 2013.

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# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 16, 2012, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 16, 2012.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the City Council, and others within the City. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

October 16, 2012



**CITY OF WORTHINGTON  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011**

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

**FINDING NUMBER 2011-001**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the City's Fiscal Officer and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the financial statements and, where applicable, to the City's accounting records:

1. Adjustment to eliminate intra-fund transfer in the General Fund of \$300,000.
2. Adjustment to reclass short term notes payable as long term liabilities due within one year for Government Type Activities for \$1,600,000, and to remove the note payable and increase the note proceeds in the Capital Improvement Fund for \$1,600,000. Also in relation to the note payable adjustment, reduced the accrued interest payable of \$21,896 and reduced the interest & fiscal charges for the Capital Improvement Fund.
3. Adjustment to break out property taxes levied for general purposes of \$252,951 to property taxes levied for police pension of \$160,340 and bond retirement of \$92,611 for Governmental Type Activities.

The following audit adjustments were not material to the City's financial statements and were not made to the City's accounting records:

1. Reclassification of Other Governmental Funds intergovernmental revenue improperly recorded as tax revenue in the amount of \$14,754.
2. Reclassification of Governmental Type Activities invested in capital assets, net of related debt as unrestricted equity for \$128,866 for OPWC debt improperly excluded.
3. Adjustment to General Fund and Governmental Type Activities in the amount of \$59,833 for accounts payable and related expenditures/expense not recorded.
4. Adjustment to reduce special assessment receivable and related deferred/unearned revenue by \$43,855 in the Capital Improvement Fund and Government Type Activities.
5. Reclassification of the City's unassigned fund balance to assigned fund balance in the General Fund for \$249,124.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the City develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data throughout the year. We also recommend the City implement additional procedures over the completeness and accuracy of financial information reported within the City's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**CITY OF WORTHINGTON  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

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

**FINDING NUMBER 2011-001 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

**Official's Response:**

The City of Worthington, as with most other public entities, maintains a cash basis of accounting for financial purposes throughout the year and then converts the financial statements at the close of each year to encompass the generally accepted accounting principles (GAAP) in compliance with generally accepted governmental auditing standards (GAGAS) as established by the Governmental Accounting Standards Board (GASB). The inclusion of the other financial information does not modify the cash basis statements but further enhances the information available to the public in order to capture a greater understanding of the entire financial condition of an entity. As with many laws and regulations, provisions of GASB are subject to interpretation by the converter or auditor.

The auditor's report includes findings of financial reporting material weakness for each of the fiscal years audited as a result of the GAAP conversion process. The adjustments noted were reclassification entries that changed the presentation of the related amounts on the financial statements but did not change the total amounts reported in the financial statements. In addition, two of the items that related to the bond issuance costs and bond premium were not material to the financial statement and were only adjusted at the request of the Auditor of State's Office. It is also important to note that the identified items only impacted the amounts converted from the City's cash basis accounting to accrual basis accounting after year-end and did not impact the City's cash financial reporting throughout the year. The items noted have been discussed with the accountant who assists the City in the GAAP conversion process and will be changed in future reporting to reflect the advice of the State Auditor's staff. The Finance Department is committed to proper financial reporting and welcomes the opportunity to receive input from the auditors through the audit process.

CITY OF WORTHINGTON  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Financial Reporting – recommendation due to adjustments that had to be made to the financial statements	No	Reissued as Finding 2011-001

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# Dave Yost • Auditor of State

**CITY OF WORTHINGTON**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2012**