

**CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2013

MOLLY ROBERTS, FINANCE DIRECTOR



Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the City of Worthington, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 4, 2014

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**CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the City of Worthington's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of December 31, 2013, and the respective changes in financial position and the budgetary comparison for the general fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of the City of Worthington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Worthington's internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 28, 2014

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013

Unaudited

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, 2013. 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 2013 are as follows:

- ❑ Net position increased \$4,101,747 which represents an 8.4% increase from 2012.
- ❑ General revenues accounted for \$26.9 million in revenue or 84.1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.1 million or 15.9% of total revenues of \$32.0 million.
- ❑ The City had \$27.9 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 \$26.9 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$26.2 million in revenues and \$22.7 million in expenditures. The general fund's fund balance increased \$2,960,513 to \$10,430,851.

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

***Management's Discussion and Analysis
For the Year Ended December 31, 2013***

Unaudited

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF WORTHINGTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2013***

Unaudited

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position as of December 31, 2013 and 2012:

	Governmental Activities	
	2013	2012
Current and Other Assets	\$25,444,501	\$23,487,674
Capital Assets, Net	40,820,704	39,670,962
Total Assets	66,265,205	63,158,636
Deferred Outflows of Resources	322,816	363,169
Long-term Debt Outstanding	9,174,163	9,945,540
Other Liabilities	1,960,808	2,185,225
Total Liabilities	11,134,971	12,130,765
Deferred Inflows of Resources	2,472,411	2,512,148
Net Position		
Net Investment in Capital Assets	33,117,458	31,344,906
Restricted	2,916,767	2,677,256
Unrestricted	16,946,414	14,856,730
Total Net Position	\$52,980,639	\$48,878,892

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CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal years 2013 and 2012:

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for Services and Sales	\$3,896,662	\$3,625,799
Operating Grants and Contributions	940,889	889,805
Capital Grants and Contributions	306,729	0
Total Program Revenues	<u>5,144,280</u>	<u>4,515,604</u>
General revenues:		
Property Taxes	2,536,180	2,493,851
Municipal Income Taxes	22,144,863	20,991,494
Other Local Taxes	205,573	185,760
Intergovernmental, Unrestricted	1,267,009	2,164,722
Investment Earnings	40,171	32,198
Miscellaneous	698,637	494,331
Total General Revenues	<u>26,892,433</u>	<u>26,362,356</u>
Total Revenues	<u>32,036,713</u>	<u>30,877,960</u>
Program Expenses		
Security of Persons and Property	10,782,636	11,091,440
Public Health and Welfare Services	43,301	96,968
Leisure Time Activities	4,414,653	4,630,827
Community Environment	526,119	1,013,734
Basic Utility Services	1,867,611	1,878,232
Transportation	3,606,824	4,112,457
General Government	6,391,009	6,660,329
Interest and Fiscal Charges	302,813	325,729
Total Expenses	<u>27,934,966</u>	<u>29,809,716</u>
Change in Net Position	4,101,747	1,068,244
Beginning Net Position	<u>48,878,892</u>	<u>47,810,648</u>
Ending Net Position	<u>\$52,980,639</u>	<u>\$48,878,892</u>

Governmental Activities

Net position of the City's governmental activities increased \$4,101,747. The decrease in unrestricted intergovernmental revenues can mostly be attributed to a decrease in estate taxes. Increases in income taxes can be attributed to a 0.5% increase in the income tax rate. Overall expenses decreased approximately 6%. The City's Planning Director position was vacant for part of the year. In addition, the engineering department was restructured, resulting in the elimination of the Assistant City Engineer position and the transferring of the GIS Manager and CIP Technician positions to a different department. These changes resulted in the decrease in Community Environment expenses.

CITY OF WORTHINGTON, OHIO

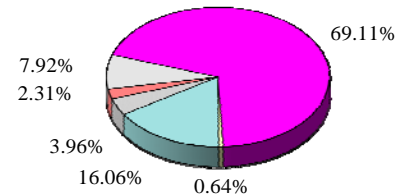
**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

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

Property taxes and income taxes made up 7.92% and 69.11% respectively of revenues for governmental activities for the City in fiscal year 2013, while other local taxes made up 0.64%. The City's reliance upon tax revenues is demonstrated by the following graph indicating 77.67% of total revenues from general tax revenues:

Revenue Sources	2013	Percent of Total
Property Taxes	\$2,536,180	7.92%
Income Taxes	22,144,863	69.11%
Other Local Taxes	205,573	0.64%
Program Revenues	5,144,280	16.06%
Intergovernmental, Unrestricted	1,267,009	3.96%
General Other	738,808	2.31%
Total Revenue	\$32,036,713	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$19,205,006, which is an increase from last year's balance of \$17,139,690. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013 and 2012:

	Fund Balance December 31, 2013	Fund Balance December 31, 2012	Increase (Decrease)
General	\$10,430,851	\$7,470,338	\$2,960,513
Capital Improvement	6,084,239	7,133,565	(1,049,326)
Other Governmental	2,689,916	2,535,787	154,129
Total	\$19,205,006	\$17,139,690	\$2,065,316

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013

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:

	2013 Revenues	2012 Revenues	Increase (Decrease)
Property Taxes	\$2,305,420	\$2,250,062	\$55,358
Municipal Income Taxes	18,789,728	18,319,812	469,916
Other Local Taxes	205,573	185,760	19,813
Intergovernmental Revenues	1,294,095	2,088,047	(793,952)
Charges for Services	2,396,683	2,409,700	(13,017)
Licenses, Permits and Fees	472,788	437,632	35,156
Investment Earnings	39,868	31,988	7,880
Special Assessments	5,142	34,422	(29,280)
Fines and Forfeitures	272,959	181,126	91,833
All Other Revenue	466,409	215,585	250,824
Total	\$26,248,665	\$26,154,134	\$94,531

Overall, General Fund revenues in 2013 increased less than 1% when compared with the prior year. The decrease in intergovernmental revenues can be attributed to a decrease in estate taxes. Increases in income taxes can be attributed to a 0.5% increase in the income tax rate.

	2013 Expenditures	2012 Expenditures	Increase (Decrease)
Security of Persons and Property	\$9,771,719	\$9,846,653	(\$74,934)
Public Health and Welfare Services	43,301	96,968	(53,667)
Leisure Time Activities	3,085,821	3,111,984	(26,163)
Community Environment	504,678	867,410	(362,732)
Basic Utility Services	1,748,594	1,716,041	32,553
Transportation	1,694,434	1,623,952	70,482
General Government	5,909,605	6,076,123	(166,518)
Total	\$22,758,152	\$23,339,131	(\$580,979)

General Fund expenditures decreased \$580,979 from the prior year. The City's Planning Director position was vacant for part of the year. In addition, the engineering department was restructured, resulting in the elimination of the Assistant City Engineer position and the transferring of the GIS Manager and CIP Technician positions to a different department. These changes resulted in the decrease in Community Environment expenditures.

Capital Improvement Fund – The City's Capital Improvement Fund balance decreased \$1,049,326 or 15%. Revenues remained consistent with the prior year. An increase in capital outlays was the primary factor in the decrease in fund balance.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013

Unaudited

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

During the course of fiscal year 2013 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$25.2 million did not change from original budget estimates. Actual budget basis revenues were 7% 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 2013 the City had \$40,820,704 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 2013 and 2012 balances:

	Governmental Activities		Increase (Decrease)
	2013	2012	
Land	\$4,855,754	\$4,855,754	\$0
Construction In Progress	1,256,920	1,372,645	(115,725)
Land Improvements	164,786	164,786	0
Buildings	20,412,620	20,290,202	122,418
Infrastructure	35,800,813	33,753,898	2,046,915
Equipment and Furniture	10,580,277	10,108,745	471,532
Vehicles	4,944,891	4,896,713	48,178
Less: Accumulated Depreciation	<u>(37,195,357)</u>	<u>(35,771,781)</u>	<u>(1,423,576)</u>
Totals	<u>\$40,820,704</u>	<u>\$39,670,962</u>	<u>\$1,149,742</u>

The primary increases occurred in infrastructure, which can be attributed to street improvement projects and playground improvements.

As of December 31, 2013, the City had contractual commitments of \$1,999,483 related to street improvements, equipment replacements and building improvements. Additional information on the City's capital assets can be found in Note 7.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013

Unaudited

Debt

At December 31, 2013, the City had \$5,730,000 in bonds outstanding, \$635,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Governmental Activities:		
General Obligation Bonds	\$5,730,000	\$6,345,000
Bond Anticipation Notes	1,860,000	1,860,000
OPWC Loan	113,246	121,056
Compensated Absences	1,470,917	1,619,484
Total Governmental Activities	<u>\$9,174,163</u>	<u>\$9,945,540</u>

Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The City of Worthington has undertaken a plan to build a robust, multi-faceted, and professional economic development program. The City's long-standing work to maintain relationships with existing businesses was augmented by the staff's efforts to bolster internal processes, as well as tracking and reporting economic performance metrics. Previous years were marked by traditional business incentive activities – using the City's Venture Grant program to attract businesses to Worthington. Now the City is bringing emphasis to redevelopment. The City is dedicating time to assist in the reorganization of the downtown retailers' association (now affiliated with the national Main Street Program) and inducing new investment through the use of tax increment financing exemptions (TIF). Additionally, the City is creating its first façade improvement program to steer private investment back into commercial buildings in Worthington.

Worthington is an inner-ring, infill community. Understanding that Worthington's economic sustainability hinges not on further growth via new land masses and annexation, but on continual investment and at times, re-use and redevelopment, in existing commercial property inventory, the City has been working aggressively to encourage new investors and identify public funding mechanisms to encourage new commercial growth.

Efforts are beginning to bear fruit, as there has been a steady uptick in redevelopment activities:

- The City put in place a tax increment financing (TIF) mechanism with a local development team for the redevelopment of 140,000 square feet of retail space comprising the former Worthington Square Mall (now remodeled and rebranded as the Shops at Worthington Place).
- Worthington Industries, a Fortune 1000 company, purchased in late 2012 the building it had been leasing for its headquarters operations. The company is now undergoing a large-scale redevelopment and renovation of its HQ building.
- The City approved – and work is substantially underway – to construct 200 apartments, 23,000 square feet of Class A office space, and a parking deck to the immediate west of the mall property.

CITY OF WORTHINGTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2013***

Unaudited

- Diamond Innovations, one of the largest manufacturers in Worthington and a world-leader in making synthetic diamonds for the drilling industry, bought its building from its long-term landlord and will undergo renovations of its world HQ building on Huntley Road.
- Dewey's Pizza opened its second Central Ohio location in downtown Worthington, tearing down an older gas station and auto repair shop to substantially improve its key corner location in downtown Worthington.
- DLZ, a premiere engineering and design firm based in Worthington, made significant upgrades to its interior space as a way to best draw in top engineering talent and make a better workplace for its staff.
- The United Methodist Children's Home site represents a 42-acre, once-in-a-generation redevelopment opportunity on High Street to address residential, office and retail needs of the City. The City is updating its Comprehensive Plan to help inform how this site might redevelop in the future.
- \$7 million in federal transportation funds have been programmed to improve an intersection in the City's prime industrial corridor.
- A former auto dealership has annexed property to create a 4.59 acre retail shopping complex at the key western gateway to the City.
- The Ohio Department of Transportation is completely reconstructing the I-270/23 interchange at Worthington's northern border to address both congestion and safety problems. This will significantly improve access to our key office buildings.

REQUESTS FOR INFORMATION

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

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CITY OF WORTHINGTON, OHIO

Statement of Net Position December 31, 2013

	Governmental Activities
Assets:	
Pooled Cash and Investments	\$ 17,740,902
Receivables:	
Taxes	6,027,441
Accounts	206,003
Intergovernmental	864,097
Interest	8,204
Special Assessments	78,996
Loans	140,000
Prepaid Items	87,770
Restricted Assets:	
Cash and Cash Equivalents	992
Cash and Cash Equivalents with Fiscal Agent	290,096
Capital Assets:	
Capital Assets Not Being Depreciated	6,112,674
Capital Assets Being Depreciated, Net	34,708,030
Total Assets	66,265,205
Deferred Outflows of Resources:	
Deferred Charge on Debt Refunding	322,816
Liabilities:	
Accounts Payable	448,273
Accrued Wages and Benefits	324,280
Intergovernmental Payable	789,282
Contracts Payable	282,028
Retainage Payable	83,593
Matured Bonds & Interest Payable	166
Accrued Interest Payable	33,186
Noncurrent liabilities:	
Due within one year	1,154,399
Due in more than one year	8,019,764
Total Liabilities	11,134,971
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	2,472,411
Net Position:	
Net Investment in Capital Assets	33,117,458
Restricted For:	
Capital Projects	851,029
Debt Service	1,148,825
Other Purposes	916,913
Unrestricted	16,946,414
Total Net Position	\$ 52,980,639

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Activities For the Year Ended December 31, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Security of Persons and Property	\$ 10,782,636	\$ 1,420,899	\$ 939	\$ 0	\$ (9,360,798)
Public Health and Welfare Services	43,301	0	54,065	0	10,764
Leisure Time Activities	4,414,653	2,124,088	0	0	(2,290,565)
Community Environment	526,119	254,565	0	0	(271,554)
Basic Utility Services	1,867,611	96,930	0	306,729	(1,463,952)
Transportation	3,606,824	180	885,885	0	(2,720,759)
General Government	6,391,009	0	0	0	(6,391,009)
Interest and Fiscal Charges	302,813	0	0	0	(302,813)
Total Governmental Activities	\$ 27,934,966	\$ 3,896,662	\$ 940,889	\$ 306,729	\$ (22,790,686)
General Revenues					
Property Taxes Levied for:					
General Purposes					2,295,153
Bond Retirement					91,011
Police Pension					150,016
Municipal Income Taxes					22,144,863
Other Local Taxes					205,573
Intergovernmental, Unrestricted					1,267,009
Investment Earnings					40,171
Miscellaneous					698,637
Total General Revenues					26,892,433
Change in Net Position					4,101,747
Net Position Beginning of Year					48,878,892
Net Position End of Year					\$ 52,980,639

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Balance Sheet Governmental Funds December 31, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 9,322,326	\$ 5,603,565	\$ 2,815,011	\$ 17,740,902
Receivables:				
Taxes	5,147,024	642,476	237,941	6,027,441
Accounts	154,828	0	51,175	206,003
Intergovernmental	453,181	0	410,916	864,097
Interest	8,175	0	29	8,204
Special Assessments	0	78,996	0	78,996
Loans	0	140,000	0	140,000
Interfund Loans Receivable	0	153,738	0	153,738
Prepaid Items	31,479	55,894	397	87,770
Restricted Assets:				
Cash and Cash Equivalents	0	0	992	992
Cash and Cash Equivalents with Fiscal Agent	0	289,930	166	290,096
Total Assets	\$ 15,117,013	\$ 6,964,599	\$ 3,516,627	\$ 25,598,239
Liabilities:				
Accounts Payable	\$ 406,404	\$ 0	\$ 41,869	\$ 448,273
Accrued Wages and Benefits Payable	303,777	0	20,503	324,280
Intergovernmental Payable	656,688	38,859	93,735	789,282
Contracts Payable	0	282,028	0	282,028
Retainage Payable	0	83,593	0	83,593
Matured Bonds and Interest Payable	0	0	166	166
Interfund Loans Payable	0	0	153,738	153,738
Total Liabilities	1,366,869	404,480	310,011	2,081,360
Deferred Inflows of Resources:				
Unavailable Amounts	1,077,430	475,880	286,152	1,839,462
Property Tax Levy for Next Fiscal Year	2,241,863	0	230,548	2,472,411
Total Deferred Inflows of Resources	3,319,293	475,880	516,700	4,311,873
Fund Balances:				
Nonspendable	31,479	55,894	397	87,770
Restricted	0	0	2,303,163	2,303,163
Committed	682,314	6,028,345	414,797	7,125,456
Assigned	825,172	0	0	825,172
Unassigned	8,891,886	0	(28,441)	8,863,445
Total Fund Balances	10,430,851	6,084,239	2,689,916	19,205,006
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,117,013	\$ 6,964,599	\$ 3,516,627	\$ 25,598,239

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2013

Total Governmental Fund Balances		\$	19,205,006
<i>Amounts reported for governmental activities in the statement of net position are different because</i>			
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.			40,820,704
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			1,839,462
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Various Purpose Bond Anticipation Notes Payable	(1,860,000)		
General Obligation Bonds Payable	(5,730,000)		
Unamortized Deferred Loss on Refunding	322,816		
OPWC Loan Payable	(113,246)		
Compensated Absences Payable	(1,470,917)		
Accrued Interest Payable	(33,186)		
			<u>(8,884,533)</u>
<i>Net Position of Governmental Activities</i>		\$	<u>52,980,639</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, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,305,420	\$ 0	\$ 242,080	\$ 2,547,500
Municipal Income Taxes	18,789,728	3,178,392	0	21,968,120
Other Local Taxes	205,573	0	0	205,573
Intergovernmental Revenues	1,294,095	306,729	839,403	2,440,227
Charges for Services	2,396,683	0	943,834	3,340,517
Licenses, Permits and Fees	472,788	0	0	472,788
Investment Earnings	39,868	0	303	40,171
Special Assessments	5,142	11,573	0	16,715
Fines and Forfeitures	272,959	0	24,049	297,008
All Other Revenue	466,409	14,075	4,572	485,056
Total Revenue	26,248,665	3,510,769	2,054,241	31,813,675
Expenditures:				
Current:				
Security of Persons and Property	9,771,719	0	595,629	10,367,348
Public Health and Welfare Services	43,301	0	0	43,301
Leisure Time Activities	3,085,821	0	885,959	3,971,780
Community Environment	504,678	0	249	504,927
Basic Utility Services	1,748,594	0	119,840	1,868,434
Transportation	1,694,434	0	819,857	2,514,291
General Government	5,909,605	407,429	4,433	6,321,467
Capital Outlay	0	3,269,024	0	3,269,024
Debt Service:				
Principal Retirement	0	7,810	2,475,000	2,482,810
Interest and Fiscal Charges	0	0	264,977	264,977
Total Expenditures	22,758,152	3,684,263	5,165,944	31,608,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,490,513	(173,494)	(3,111,703)	205,316
Other Financing Sources (Uses):				
Sale of Notes	0	0	1,860,000	1,860,000
Transfers In	0	130,000	1,555,832	1,685,832
Transfers Out	(530,000)	(1,005,832)	(150,000)	(1,685,832)
Total Other Financing Sources (Uses)	(530,000)	(875,832)	3,265,832	1,860,000
Net Change in Fund Balances	2,960,513	(1,049,326)	154,129	2,065,316
Fund Balances at Beginning of Year	7,470,338	7,133,565	2,535,787	17,139,690
Fund Balances End of Year	\$ 10,430,851	\$ 6,084,239	\$ 2,689,916	\$ 19,205,006

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 2,065,316

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	3,280,721	
Depreciation Expense	<u>(2,130,979)</u>	1,149,742

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 223,038

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

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

General Obligation Bond Principal Payment	615,000	
Deferred Loss on Bond Refunding	(40,353)	
OPWC Loan Principal Payment	7,810	
Long Term Note Principal Payment	<u>1,860,000</u>	2,442,457

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,517

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

Compensated Absences		<u>78,677</u>
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Change in Net Position of Governmental Activities \$ 4,101,747

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,507,000	\$ 2,507,000	\$ 2,271,041	\$ (235,959)
Municipal Income Taxes	18,181,195	18,181,195	19,448,214	1,267,019
Other Local Taxes	185,000	185,000	202,389	17,389
Intergovernmental Revenue	800,716	800,716	1,313,863	513,147
Charges for Services	2,410,000	2,410,000	2,437,918	27,918
Licenses, Permits and Fees	460,500	460,500	485,024	24,524
Investment Earnings	100,000	100,000	58,394	(41,606)
Special Assessments	25,000	25,000	32,948	7,948
Fines and Forfeitures	195,000	195,000	261,828	66,828
All Other Revenues	300,000	300,000	448,386	148,386
Total Revenues	25,164,411	25,164,411	26,960,005	1,795,594
Expenditures:				
Current:				
Security of Persons and Property	10,270,111	10,418,744	10,013,447	405,297
Public Health and Welfare Services	74,770	75,852	75,851	1
Leisure Time Activities	3,406,507	3,455,807	3,380,278	75,529
Community Environment	530,401	538,077	452,376	85,701
Basic Utility Services	1,875,455	1,902,597	1,878,412	24,185
Transportation	1,844,691	1,871,388	1,803,064	68,324
General Government	6,116,153	6,204,670	5,942,030	262,640
Total Expenditures	24,118,088	24,467,135	23,545,458	921,677
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,046,323	697,276	3,414,547	2,717,271
Other Financing Sources (Uses):				
Transfers In	200,000	200,000	200,000	0
Transfers Out	(650,000)	(650,000)	(650,000)	0
Other Financing Uses	(73,052)	(73,052)	(73,027)	25
Total Other Financing Sources (Uses):	(523,052)	(523,052)	(523,027)	25
Net Change in Fund Balance	523,271	174,224	2,891,520	2,717,296
Fund Balance at Beginning of Year	4,546,128	4,546,128	4,546,128	0
Prior Year Encumbrances	525,787	525,787	525,787	0
Fund Balance at End of Year	\$ 5,595,186	\$ 5,246,139	\$ 7,963,435	\$ 2,717,296

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Assets and Liabilities Fiduciary Funds December 31, 2013

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 79,257
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>32,917</u>
Total Assets	<u>112,174</u>
Liabilities:	
Intergovernmental Payable	29,461
Due to Others	81,196
Undistributed Monies	<u>1,517</u>
Total Liabilities	<u>\$ 112,174</u>

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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 an eighth three-year term that began on January 1, 2013. The City has no ongoing financial responsibility other than the three-year minimum membership. See Note 11.

B. Basis of Presentation - Fund Accounting

The City uses funds 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than capital projects.

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

D. Basis of Accounting

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

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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, 2013 are recorded as deferred inflows of resources.

Property taxes measurable as of December 31, 2013, but which are not intended to finance 2013 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources as further described in Note 4.

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 2013.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

- b. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Outstanding year end encumbrances are treated as expenditures (budget basis).
- d. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$2,960,513
Increase (Decrease):	
Accrued Revenues at December 31, 2013 received during 2014	(2,437,010)
Accrued Revenues at December 31, 2012 received during 2013	3,216,729
Accrued Expenditures at December 31, 2013 paid during 2014	1,366,869
Accrued Expenditures at December 31, 2012 paid during 2013	(1,453,986)
2012 Prepays for 2013	34,185
2013 Prepays for 2014	(31,479)
Outstanding Encumbrances	(669,692)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(94,609)
Budget Basis	<u><u>\$2,891,520</u></u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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 3, "Cash, Cash Equivalents and Investments."

Investment earnings of \$20,410 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 3, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2013. 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, 2013.

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities

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

2. Depreciation

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

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

J. Long-Term Obligations

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

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

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

L. Net Position

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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/To Other Funds" at December 31, 2013. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balances (Continued)

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

S. Estimates

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

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements ***For the Year Ended December 31, 2013***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources (Continued)

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

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$31,479	\$55,894	\$397	\$87,770
Total Nonspendable	<u>31,479</u>	<u>55,894</u>	<u>397</u>	<u>87,770</u>
Restricted:				
Street Maintenance and Repair	0	0	452,478	452,478
Law Enforcement	0	0	82,091	82,091
Court Improvements	0	0	206,984	206,984
Building Code Inspection	0	0	12,453	12,453
Debt Retirement	0	0	1,174,008	1,174,008
Capital Improvements	0	0	375,149	375,149
Total Restricted	<u>0</u>	<u>0</u>	<u>2,303,163</u>	<u>2,303,163</u>
Committed:				
Economic Development	682,314	0	0	682,314
Parks and Recreation	0	0	205,247	205,247
Water Public Works	0	0	47,873	47,873
Sewer Public Works	0	0	11,163	11,163
Technology Improvements	0	0	80,000	80,000
Bicentennial Celebration	0	0	70,514	70,514
Capital Improvements	0	6,028,345	0	6,028,345
Total Committed	<u>682,314</u>	<u>6,028,345</u>	<u>414,797</u>	<u>7,125,456</u>
Assigned:				
Other Purposes	825,172	0	0	825,172
Total Assigned	<u>825,172</u>	<u>0</u>	<u>0</u>	<u>825,172</u>
Unassigned (Deficits):				
	8,891,886	0	(28,441)	8,863,445
Total Fund Balances	<u>\$10,430,851</u>	<u>\$6,084,239</u>	<u>\$2,689,916</u>	<u>\$19,205,006</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 3 – 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 \$9,748,763 and the bank balance was \$10,001,812. Federal depository insurance covered \$2,425,683 of the bank balance and \$7,576,129 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>\$7,576,129</u>
Total Balance	<u><u>\$7,576,129</u></u>

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

B. Investments

The City's investments at December 31, 2013 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	\$1,218,166	AAAm ¹	\$1,218,166	\$0
Government Money Market	1,689,999	AA+ ¹	1,689,999	0
Negotiable CD's	<u>5,487,236</u>	AAA ²	<u>1,995,983</u>	<u>3,491,253</u>
Total Investments	<u>\$8,395,401</u>		<u>\$4,904,148</u>	<u>\$3,491,253</u>

¹ Standard & Poor's

² All are fully FDIC insured and therefore have an implied AAA credit rating

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

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

Concentration of Credit Risk – The City limits the amount the City may invest in one issuer to 30% of the City's investable funds. Of the City's total investments, 14.50% are STAR Ohio, 20.13% is a Government Obligation Money Market Account, and 65.37% are negotiable certificates of deposit. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 4 - 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 2013 were levied after October 1, 2012 on assessed values as of January 1, 2012, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing Cities in the County, including the City of Worthington. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2013, 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 4 – TAXES (Continued)

A. Property Taxes (Continued)

The assessed values of real and public utility tangible personal property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	\$546,871,370
Public Utility Tangible Personal	<u>7,810,440</u>
Total Assessed Valuation	<u><u>\$554,681,810</u></u>

Property taxes receivable represent real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013. 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 2013 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

B. Income Tax

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 5 - RECEIVABLES

Receivables at December 31, 2013, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts.

The City also has loans receivable at December 31, 2013 in the amount of \$140,000. This is the result of an interest free loan in the amount of \$600,000 given to Swim Inc. by the City for renovations to the swimming facilities. In 2010 the City passed an ordinance allowing the deferral of principal on the loan for years 2010 and 2011. The balance of the loan will be payable in equal annual installments of \$35,000 on or before December 31 of each year beginning December 2012.

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$530,000
Capital Improvement Fund	130,000	1,005,832
Nonmajor Governmental Funds	1,555,832	150,000
Total All Funds	<u>\$1,685,832</u>	<u>\$1,685,832</u>

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

Individual interfund loan receivable and payable balances at December 31, 2013, were as follows:

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 7 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Capital assets not being depreciated:				
Land	\$4,855,754	\$0	\$0	\$4,855,754
Construction in Progress	1,372,645	1,256,920	(1,372,645)	1,256,920
	<u>6,228,399</u>	<u>1,256,920</u>	<u>(1,372,645)</u>	<u>6,112,674</u>
Capital assets being depreciated:				
Land Improvements	164,786	0	0	164,786
Buildings	20,290,202	122,418	0	20,412,620
Infrastructure	33,753,898	2,046,915	0	35,800,813
Equipment and Furniture	10,108,745	724,867	(253,335)	10,580,277
Vehicles	4,896,713	502,246	(454,068)	4,944,891
Total Cost	<u>\$75,442,743</u>	<u>\$4,653,366</u>	<u>(\$2,080,048)</u>	<u>\$78,016,061</u>

Accumulated Depreciation:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Land Improvements	(\$164,787)	\$0	\$0	(\$164,787)
Buildings	(6,562,247)	(433,308)	0	(6,995,555)
Infrastructure	(20,341,064)	(885,527)	0	(21,226,591)
Equipment and Furniture	(6,431,497)	(493,444)	253,335	(6,671,606)
Vehicles	(2,272,186)	(318,700)	454,068	(2,136,818)
Total Depreciation	<u>(\$35,771,781)</u>	<u>(\$2,130,979) *</u>	<u>\$707,403</u>	<u>(\$37,195,357)</u>
Net Value:	<u>\$39,670,962</u>			<u>\$40,820,704</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$505,639
Leisure Time Activities	466,837
Community Environment	34,308
Transportation	1,054,213
General Government	69,982
Total Depreciation Expense	<u>\$2,130,979</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2013 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 and Combined Plans was 13.0% for calendar year 2013. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's contributions for pension obligations to OPERS for the years ending December 31, 2013, 2012, and 2011 were \$858,521, \$648,642 and \$655,982, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2013 were \$17,190 made by the City and \$12,279 made by the plan members.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 8 – 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, by calling (614) 228-2975, or by visiting www.op-f.org.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were 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. The portion of employer contributions used to fund pension obligations from January 1, 2013 through May 31, 2013 was 14.81% for police officers and 19.31% for firefighters. The portion of employer contributions used to fund pension obligations from June 1, 2013 through December 31, 2013 was 16.65% for police officers and 21.15% for firefighters. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2013, 2012, and 2011 were \$516,076, \$350,198 and \$345,154 for police officers and \$706,614, \$524,706 and \$534,728 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 9 - 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 9 - 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 visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, 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 and Combined Plans was 1.0% for calendar year 2013. 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, 2013, 2012, and 2011 were \$66,040, \$269,734 and \$262,393, respectively, which were equal to the required contributions for each year.

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

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.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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 2013, the portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013 for both police officers and firefighters. 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, 2013, 2012, and 2011 were \$117,512, \$185,399 and \$182,729 for police and \$125,376, \$205,320 and \$209,241 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 10 - COMPENSATED ABSENCES

City employees earn sick leave at the rate of ten hours per month. Sick leave may be accumulated and carried forward from year to year without limit. An employee who is to be separated from City service through retirement, layoff, or resignation in good standing after completion of fifteen years continuous service with the City of Worthington and has accumulated more than 232 hours of sick leave, is eligible to be paid for 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, 2013, 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	22,762	\$650,312
Vacation / Compensatory Time	28,723	820,605
Total	<u>51,485</u>	<u>\$1,470,917</u>

NOTE 11 - RISK MANAGEMENT

A. Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2013, 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	58,680,918	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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 11 - RISK MANAGEMENT (Continued)

B. Health Care Benefits

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

The COHCC has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the COHCC for medical claims paid to an individual in excess of \$175,000, with an unlimited individual lifetime maximum. The aggregate excess loss coverage has been structured to indemnify the COHCC for aggregate claims paid in excess of \$12,540,899, to a maximum of \$1,000,000 annually. In the event that the losses of the consortium in any year exceeds amounts paid to the COHCC, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past five years.

The City currently has no specified percentage share of the COHCC. The only time at which a percentage share would be calculated occurs if the COHCC votes to terminate ongoing operations. After a vote to terminate the COHCC, the Board would wind-up the COHCC's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the COHCC would continue to pay all claims and expenses until the COHCC's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the COHCC would be paid to the members of the COHCC who are members as of the termination date. The Board would determine the manner in which such surplus funds would be distributed, and would consider the percentage relationship which each member's contributions to the COHCC for the prior three calendar years of the COHCC bore to all members' contributions to the COHCC for that same period. The City's payment for health insurance coverage to COHCC in 2013 was \$2,118,297. 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, 2013

NOTE 12 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, loans, and compensated absences of the City for the year ended December 31, 2013, were as follows:

	Balance December 31, 2012	Issued	(Retired)	Balance December 31, 2013	Amount Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2005 3.890% Various Purpose Refunding	\$6,345,000	\$0	(\$615,000)	\$5,730,000	\$635,000
Total General Obligation Bonds	<u>6,345,000</u>	<u>0</u>	<u>(615,000)</u>	<u>5,730,000</u>	<u>635,000</u>
Long Term Bond Anticipation Notes:					
0.880% Fire Truck	1,000,000	0	(1,000,000)	0	0
0.880% Davis Estates Waterline	500,000	0	(500,000)	0	0
0.880% Community Center Windows	360,000	0	(360,000)	0	0
0.850% Fire Truck	0	1,000,000	0	1,000,000	0
0.850% Davis Estates Waterline	0	500,000	0	500,000	0
0.850% Community Center Windows	0	360,000	0	360,000	0
Total Long Term Bond Anticipation Notes	<u>1,860,000</u>	<u>1,860,000</u>	<u>(1,860,000)</u>	<u>1,860,000</u>	<u>0</u>
OPWC Loan:					
0.000% Old Worthington ADA Ramps	121,056	0	(7,810)	113,246	7,810
Compensated Absences	<u>1,619,484</u>	<u>452,549</u>	<u>(601,116)</u>	<u>1,470,917</u>	<u>511,589</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$9,945,540</u>	<u>\$2,312,549</u>	<u>(\$3,083,926)</u>	<u>\$9,174,163</u>	<u>\$1,154,399</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.

Notes that were refinanced prior to the issuance of the financial statements and that have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as a long-term liability. See Note 17 for more information.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 12 - 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, 2013, follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>OPWC Loan</u>		<u>Various Purpose BAN</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$635,000	\$224,100	\$7,810	\$0	\$1,860,000	\$15,766
2015	655,000	198,700	7,810	0	0	0
2016	680,000	174,138	7,810	0	0	0
2017	705,000	148,637	7,810	0	0	0
2018	720,000	122,200	7,810	0	0	0
2019-2023	2,335,000	189,400	39,050	0	0	0
2024-2028	0	0	35,146	0	0	0
Totals	\$5,730,000	\$1,057,175	\$113,246	\$0	\$1,860,000	\$15,766

B. Defeasance of General Obligation Debt

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

The net proceeds of the 2005 Various Purposes General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$5,420,000 at December 31, 2013, 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 13 - CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at December 31, 2013:

<u>Project</u>	<u>Amount</u>
Records Management & Mobile Data System	\$20,996
Community Center Gym Lighting Replacements	8,743
All Children's Playground Improvements	69,414
2013 Urban Tree Program	2,162
Community Center Roof Replacement	120,000
Wilson Bridge Road Design Study	110,425
Firefighter Memorial Improvements	840
2008 New & Replacement Equipment	9,100
2011 New & Replacement Equipment	4,935
Central Business District Improvements - Baskets, Benches, Racks	1,657
2012 New & Replacement Equipment	72,792
2013 New & Replacement Equipment	499,965
2013 Building Improvement Program	22,870
Security System Upgrade	49,949
SE Sewer Shed Study & Master Plan	18,683
McCoy Culvert Replacement	18,074
I270/US23 Interchange Improvements	22,444
2012 Street Improvement Program	53,144
2013 Street Improvement Program	17,224
2013 Arterial Street Improvements - High Street	124,513
Michaela Sanitary Sewer Improvements	30,000
Kenyonbrook Siphon Removal Project	618,002
SE Sewer Shed Basins 6&8 SSES	35,423
SE Sewer Shed Repair & Lining	10,818
Olentangy Sanitary Sewer Improvements	57,310
	<u>\$1,999,483</u>

NOTE 14 - CONTINGENT LIABILITIES

A. Litigation

The City is of the opinion that the 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, 2013, to December 31, 2013, 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 15 – 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 84 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 44 political subdivisions in and around Franklin, Delaware, Fairfield, Licking, Madison, Morrow, Pickaway, Ross and Union counties. MORPC's area of interest also includes Fayette, Marion, and Knox counties resulting in a strong 12-county region. 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, of 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 16 – 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 17 – SUBSEQUENT EVENTS

On January 22, 2014, the City issued bond anticipation notes in the amount of \$1,760,000 to retire notes previously issued in the amount of \$1,860,000 for the acquisition of a fire truck, constructing and installing a waterline for the Davis Estates subdivision and for the community center window replacement project. The notes have an interest rate of 0.84% and mature on January 21, 2015.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Worthington's basic financial statements and have issued our report thereon dated July 28, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Worthington's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Members of Council and Mayor
City of Worthington

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
July 28, 2014



Dave Yost • Auditor of State

CITY OF WORTHINGTON

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2014**