



Dave Yost • Auditor of State

**CITY OF WORTHINGTON
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of December 31, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Dave Yost
Auditor of State

October 16, 2012

CITY OF WORTHINGTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

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, 2010. 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 2010 are as follows:

- ❑ Net assets decreased \$403,750 which represents a 0.88% decrease from 2009.
- ❑ General revenues accounted for \$21.5 million in revenue or 81.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4.9 million or 18.5% of total revenues of \$26.4 million.
- ❑ The City had \$26.8 million in expenses related to governmental activities; only \$4.9 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$21.5 million and net assets were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$22.5 million in revenues and \$21.3 million in expenditures. The general fund's fund balance increased \$584,307 to \$3,224,198.

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, 2010***

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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF WORTHINGTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets as of December 31, 2010 and 2009:

	Governmental Activities	
	2010	2009
Current and other assets	\$19,908,298	\$20,995,305
Capital assets, Net	38,965,788	39,105,382
Total assets	58,874,086	60,100,687
Long-term debt outstanding	8,694,737	9,088,213
Other liabilities	4,756,721	5,186,096
Total liabilities	13,451,458	14,274,309
Net assets		
Invested in capital assets, net of related debt	31,500,788	31,455,124
Restricted	10,883,613	11,827,952
Unrestricted	3,038,227	2,543,302
Total net assets	\$45,422,628	\$45,826,378

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CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2010 and 2009:

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for Services and Sales	\$4,088,206	\$3,360,939
Operating Grants and Contributions	800,724	793,480
General revenues:		
Taxes	19,507,204	18,273,666
Grants and Entitlements not Restricted to Specific Programs	1,496,600	1,280,328
Investment Earnings	95,344	208,426
Miscellaneous	435,416	516,615
Total revenues	26,423,494	24,433,454
Program Expenses		
Security of Persons and Property	10,401,489	10,337,653
Public Health and Welfare Services	50,284	57,774
Leisure Time Activities	4,454,778	4,530,271
Community Environment	728,211	666,128
Basic Utility Services	1,842,757	1,845,335
Transportation	3,330,677	3,548,789
General Government	5,633,211	5,041,193
Other Expenditures	32,340	46,340
Interest and Fiscal Charges	353,497	374,098
Total expenses	26,827,244	26,447,581
Total Change in Net Assets	(403,750)	(2,014,127)
Beginning Net Assets	45,826,378	47,840,505
Ending Net Assets	\$45,422,628	\$45,826,378

Governmental Activities

Net assets of the City's governmental activities decreased \$403,750. A 0.5% increase in the income tax rate in July of 2010 resulted in increased income tax collections. Expenses remained relatively stable, but continued to outpace revenues, resulting in the decrease in net assets.

CITY OF WORTHINGTON, OHIO

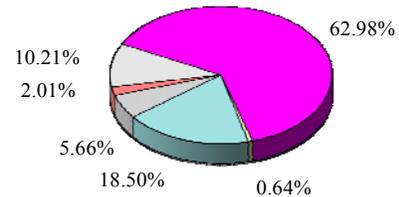
Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

The City also receives an income tax and a hotel/motel tax. The income tax is based on 2.0% of all income earned within the City through June 30, 2010 and 2.5% as of July 1, 2010. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. The hotel/motel tax is based on 5.00% of all lodging revenues.

Property taxes and income taxes made up 10.21% and 62.98% respectively of revenues for governmental activities for the City in fiscal year 2010, while other local taxes made up 0.64%. The City's reliance upon tax revenues is demonstrated by the following graph indicating 73.83% of total revenues from general tax revenues:

Revenue Sources	2010	Percent of Total
Property Taxes	\$2,698,587	10.21%
Income Taxes	16,640,885	62.98%
Other Local Taxes	167,732	0.64%
Program Revenues	4,888,930	18.50%
Intergovernmental, Unrestricted	1,496,600	5.66%
General Other	530,760	2.01%
Total Revenue	\$26,423,494	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$13,667,672, which is a decrease from last year's balance of \$14,223,984. The schedule below indicates the fund balance and the total change in fund balance by fund as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General	\$3,224,198	\$2,639,891	\$584,307
Capital Improvement	7,804,579	8,737,445	(932,866)
Other Governmental	2,638,895	2,846,648	(207,753)
Total	\$13,667,672	\$14,223,984	(\$556,312)

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

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

	2010	2009	Increase
	Revenues	Revenues	(Decrease)
Property Taxes	\$2,430,847	\$2,535,293	(\$104,446)
Municipal Income Taxes	14,660,646	13,561,832	1,098,814
Other Local Taxes	167,732	152,286	15,446
Intergovernmental Revenues	1,599,714	1,340,333	259,381
Charges for Services	2,758,899	2,111,717	647,182
Licenses, Permits and Fees	329,337	289,931	39,406
Investment Earnings	94,851	192,380	(97,529)
Special Assessments	15,924	34,933	(19,009)
Fines and Forfeitures	182,185	186,107	(3,922)
All Other Revenue	242,845	302,854	(60,009)
Total	<u>\$22,482,980</u>	<u>\$20,707,666</u>	<u>\$1,775,314</u>

General Fund revenues in 2010 increased 8.6% compared to revenues in fiscal year 2009. A 0.5% increase in the income tax rate in July of 2010 resulted in increased income tax collections.

	2010	2009	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$9,358,653	\$9,162,953	\$195,700
Public Health and Welfare Services	50,284	57,774	(7,490)
Leisure Time Activities	3,007,206	3,123,344	(116,138)
Community Environment	552,755	577,969	(25,214)
Basic Utility Services	1,745,040	1,743,586	1,454
Transportation	1,416,205	1,322,105	94,100
General Government	5,181,190	4,704,172	477,018
Total	<u>\$21,311,333</u>	<u>\$20,691,903</u>	<u>\$619,430</u>

General Fund expenditures increased by \$619,430 over the prior year due to a variety of factors including 27 pay periods in 2010, increased income tax refunds and worker's compensation premiums.

Capital Improvement Fund – The City's Capital Improvement Fund revenues and expenditures remained consistent with the prior year. Fund balance decreased 11% as expenditures continued to outpace revenues.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

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 2010 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$21.03 million did not change over the original budget estimates of \$21.03 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010 the City had \$38,965,788 net of accumulated depreciation invested in land, land improvements, buildings, infrastructure, equipment and furniture, and vehicles. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$4,855,754	\$4,855,754	\$0
Construction In Progress	1,864,064	394,858	1,469,206
Land Improvements	164,786	164,786	0
Buildings	19,790,706	19,790,706	0
Infrastructure	31,438,860	31,248,062	190,798
Equipment and Furniture	9,229,822	9,186,488	43,334
Vehicles	4,431,794	4,436,794	(5,000)
Less: Accumulated Depreciation	<u>(32,809,998)</u>	<u>(30,972,066)</u>	<u>(1,837,932)</u>
Totals	<u>\$38,965,788</u>	<u>\$39,105,382</u>	<u>(\$139,594)</u>

The primary increases occurred in construction in progress as the City continued making progress with its street and sidewalk improvement plans.

As of December 31, 2010, the City had contractual commitments of \$2,889,155 related to street improvements, equipment replacements, waterline replacements and municipal building improvements. Additional information on the City's capital assets can be found in Note 6.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Debt

At December 31, 2010, the City had \$7,465,000 in bonds outstanding, \$550,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2010, and 2009:

	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General Obligation Bonds	\$7,021,125	\$7,505,772
OPWC Loan	136,676	144,486
Compensated Absences	1,536,936	1,437,955
Total Governmental Activities	<u>8,694,737</u>	<u>9,088,213</u>

Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

In 2010, the City of Worthington continued to build relationships with businesses considering locating in Worthington as well as to foster relationships to support existing businesses. Economic development activities included marketing Worthington to the business community as well as encouraging reinvestment in commercial business properties. The City attracted four new businesses to Worthington through the Venture Grant Program in 2010. These businesses will add 86 new jobs to the business community.

The City continued in the planning efforts for future improvements to primary corridors for renewed investments and commercial property improvements for redevelopment opportunities of primary office and retail spaces. Exterior renovations were completed to the city owned property at 752 High Street, James Kilbourne Building. Interior modifications began to this property in order to make the property marketable for future occupancy. The City approved Tax Increment Financing (TIF) for the Worthington Square property which was purchased by investors who intend to make significant improvements to the property for revitalization of this vital retail facility as well as public space amenities.

REQUESTS FOR INFORMATION

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

CITY OF WORTHINGTON, OHIO

Statement of Net Assets December 31, 2010

	Governmental Activities
Assets:	
Pooled Cash and Investments	\$ 11,929,587
Receivables:	
Taxes	5,919,606
Accounts	346,756
Intergovernmental	1,048,419
Interest	13,261
Special Assessments	111,871
Loans	210,000
Prepaid Items	83,395
Restricted Assets:	
Cash and Cash Equivalents	992
Cash and Cash Equivalents with Fiscal Agent	244,411
Capital Assets:	
Capital Assets Not Being Depreciated	6,719,818
Capital Assets Being Depreciated, Net	32,245,970
Total Assets	58,874,086
Liabilities:	
Accounts Payable	287,873
Accrued Wages and Benefits	239,956
Intergovernmental Payable	964,302
Contracts Payable	450,126
Retainage Payable	101,930
Matured Bonds & Interest Payable	166
Unearned Revenue	2,692,131
Accrued Interest Payable	20,237
Noncurrent liabilities:	
Due within one year	517,457
Due in more than one year	8,177,280
Total Liabilities	13,451,458
Net Assets:	
Invested in Capital Assets, Net of Related Debt	31,500,788
Restricted For:	
Capital Projects	8,472,836
Debt Service	845,528
Other Purposes	1,565,249
Unrestricted	3,038,227
Total Net Assets	\$ 45,422,628

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Activities For the Year Ended December 31, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 10,401,489	\$ 1,624,548	\$ 19,634	\$ (8,757,307)
Public Health and Welfare Services	50,284	0	2,474	(47,810)
Leisure Time Activities	4,454,778	2,257,126	0	(2,197,652)
Community Environment	728,211	106,850	0	(621,361)
Basic Utility Services	1,842,757	99,682	0	(1,743,075)
Transportation	3,330,677	0	778,616	(2,552,061)
General Government	5,633,211	0	0	(5,633,211)
Other Expenditures	32,340	0	0	(32,340)
Interest and Fiscal Charges	353,497	0	0	(353,497)
Total Governmental Activities	\$ 26,827,244	\$ 4,088,206	\$ 800,724	(21,938,314)

General Revenues

Property Taxes Levied for:	
General Purposes	2,436,474
Bond Retirement	94,913
Police Pension	167,200
Other Local Taxes	167,732
Municipal Income Taxes	16,640,885
Grants and Entitlements not Restricted to Specific Programs	1,496,600
Investment Earnings	95,344
Miscellaneous	435,416
Total General Revenues	21,534,564
Change in Net Assets	(403,750)
Net Assets Beginning of Year	45,826,378
Net Assets End of Year	\$ 45,422,628

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Balance Sheet Governmental Funds December 31, 2010

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 1,693,351	\$ 7,405,460	\$ 2,830,776	\$ 11,929,587
Receivables:				
Taxes	5,230,666	439,409	249,531	5,919,606
Accounts	302,762	0	43,994	346,756
Intergovernmental	642,355	0	406,064	1,048,419
Interest	13,261	0	0	13,261
Special Assessments	0	111,871	0	111,871
Loans	0	210,000	0	210,000
Interfund Loans Receivable	0	153,738	0	153,738
Prepaid Items	31,242	52,153	0	83,395
Restricted Assets:				
Cash and Cash Equivalents	0	0	992	992
Cash and Cash Equivalents with Fiscal Agent	0	244,245	166	244,411
Total Assets	\$ 7,913,637	\$ 8,616,876	\$ 3,531,523	\$ 20,062,036
Liabilities:				
Accounts Payable	\$ 267,128	\$ 0	\$ 20,745	\$ 287,873
Accrued Wages and Benefits Payable	226,541	0	13,415	239,956
Intergovernmental Payable	770,790	20,955	172,557	964,302
Contracts Payable	158,776	284,433	6,917	450,126
Retainage Payable	0	101,930	0	101,930
Matured Bonds and Interest Payable	0	0	166	166
Interfund Loans Payable	0	0	153,738	153,738
Deferred Revenue	3,266,204	404,979	525,090	4,196,273
Total Liabilities	4,689,439	812,297	892,628	6,394,364
Fund Balances:				
Reserved for Encumbrances	115,111	2,110,010	87,023	2,312,144
Reserved for Prepaid Items	31,242	52,153	0	83,395
Reserved for Debt Service	0	0	857,087	857,087
Reserved for Loans Receivable	0	210,000	0	210,000
Undesignated/Unreserved:				
General Fund	3,077,845	0	0	3,077,845
Special Revenue Funds	0	0	1,319,636	1,319,636
Capital Projects Funds	0	5,432,416	375,149	5,807,565
Total Fund Balances	3,224,198	7,804,579	2,638,895	13,667,672
Total Liabilities and Fund Balances	\$ 7,913,637	\$ 8,616,876	\$ 3,531,523	\$ 20,062,036

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2010

Total Governmental Fund Balances		\$	13,667,672
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>			
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.			38,965,788
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			1,504,142
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General Obligation Bonds Payable	(7,465,000)		
Unamortized Deferred Loss on Refunding	443,875		
OPWC Loan Payable	(136,676)		
Compensated Absences Payable	(1,536,936)		
Accrued Interest Payable	(20,237)		
			<u>(8,714,974)</u>
Net Assets of Governmental Activities		\$	<u>45,422,628</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, 2010

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,430,847	\$ 0	\$ 261,639	\$ 2,692,486
Municipal Income Taxes	14,660,646	2,319,518	0	16,980,164
Other Local Taxes	167,732	0	0	167,732
Intergovernmental Revenues	1,599,714	0	799,392	2,399,106
Charges for Services	2,758,899	0	851,380	3,610,279
Licenses, Permits and Fees	329,337	0	0	329,337
Investment Earnings	94,851	0	493	95,344
Special Assessments	15,924	25,164	0	41,088
Fines and Forfeitures	182,185	0	16,286	198,471
All Other Revenue	242,845	0	13,893	256,738
Total Revenue	22,482,980	2,344,682	1,943,083	26,770,745
Expenditures:				
Current:				
Security of Persons and Property	9,358,653	0	507,346	9,865,999
Public Health and Welfare Services	50,284	0	0	50,284
Leisure Time Activities	3,007,206	0	1,014,044	4,021,250
Community Environment	552,755	0	156,841	709,596
Basic Utility Services	1,745,040	0	97,358	1,842,398
Transportation	1,416,205	0	835,888	2,252,093
General Government	5,181,190	557,452	4,529	5,743,171
Capital Outlay	0	1,962,286	0	1,962,286
Debt Service:				
Principal Retirement	0	7,810	525,000	532,810
Interest and Fiscal Charges	0	0	314,830	314,830
Total Expenditures	21,311,333	2,527,548	3,455,836	27,294,717
Excess (Deficiency) of Revenues Over Expenditures	1,171,647	(182,866)	(1,512,753)	(523,972)
Other Financing Sources (Uses):				
Transfers In	0	0	1,305,000	1,305,000
Transfers Out	(555,000)	(750,000)	0	(1,305,000)
Other Financing Uses	(32,340)	0	0	(32,340)
Total Other Financing Sources (Uses)	(587,340)	(750,000)	1,305,000	(32,340)
Net Change in Fund Balances	584,307	(932,866)	(207,753)	(556,312)
Fund Balances at Beginning of Year	2,639,891	8,737,445	2,846,648	14,223,984
Fund Balances End of Year	\$ 3,224,198	\$ 7,804,579	\$ 2,638,895	\$ 13,667,672

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (556,312)

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

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

Capital Outlay	1,877,761	
Depreciation Expense	<u>(2,004,660)</u>	(126,899)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		(12,695)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(103,006)
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	525,000	
Deferred Loss on Bond Refunding	(40,353)	
OPWC Loan Principal Payment	<u>7,810</u>	492,457

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,686
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures the governmental funds.

Compensated Absences		<u>(98,981)</u>
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<i>Change in Net Assets of Governmental Activities</i>		<u>\$ (403,750)</u>
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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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,365,000	\$ 2,365,000	\$ 2,430,847	\$ 65,847
Municipal Income Taxes	13,086,043	13,086,043	13,978,271	892,228
Other Local Taxes	175,000	175,000	164,552	(10,448)
Intergovernmental Revenue	1,811,000	1,811,000	1,568,099	(242,901)
Charges for Services	2,264,884	2,264,884	2,282,259	17,375
Licenses, Permits and Fees	264,500	264,500	326,893	62,393
Investment Earnings	400,000	400,000	149,523	(250,477)
Special Assessments	100,000	100,000	22,576	(77,424)
Fines and Forfeitures	187,409	187,409	186,390	(1,019)
All Other Revenues	382,000	382,000	242,845	(139,155)
Total Revenues	21,035,836	21,035,836	21,352,255	316,419
Expenditures:				
Current:				
Security of Persons and Property	9,824,507	9,897,916	9,711,816	186,100
Public Health and Welfare Services	53,000	53,287	53,228	59
Leisure Time Activities	3,244,622	3,244,622	3,168,910	75,712
Community Environment	582,346	591,396	576,176	15,220
Basic Utility Services	1,799,000	1,889,939	1,871,229	18,710
Transportation	1,455,419	1,531,577	1,530,536	1,041
General Government	4,853,686	5,460,253	5,398,729	61,524
Total Expenditures	21,812,580	22,668,990	22,310,624	358,366
Excess (Deficiency) of Revenues Over (Under) Expenditures	(776,744)	(1,633,154)	(958,369)	674,785
Other Financing Sources (Uses):				
Transfers In	150,000	150,000	400,000	250,000
Transfers Out	(415,000)	(555,000)	(555,000)	0
Other Financing Uses	(50,000)	(50,000)	(49,340)	660
Total Other Financing Sources (Uses):	(315,000)	(455,000)	(204,340)	250,660
Net Change in Fund Balance	(1,091,744)	(2,088,154)	(1,162,709)	925,445
Fund Balance at Beginning of Year	1,926,805	1,926,805	1,926,805	0
Prior Year Encumbrances	423,041	423,041	423,041	0
Fund Balance at End of Year	\$ 1,258,102	\$ 261,692	\$ 1,187,137	\$ 925,445

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Assets and Liabilities Fiduciary Fund December 31, 2010

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 66,026
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>20,946</u>
Total Assets	<u>86,972</u>
Liabilities:	
Intergovernmental Payable	16,880
Due to Others	<u>70,092</u>
Total Liabilities	<u>\$ 86,972</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, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The City is a member of the Central Ohio Health Care Consortium, (the “Pool”) a risk sharing self-insurance pool which provides health insurance to the City. The Pool, which commenced business on January 1, 1992, has nine members consisting of various cities, villages, and townships. The members have entered into an irrevocable agreement to remain a member of the Pool for a minimum of three years. The Consortium established a new Pool, effective January 1, 1995, to continue its self-insurance program. The new Pool retained the major attributes of the original Pool. The Consortium transferred an amount from the original Pool Trust account to the new Pool Trust account in 1995, which was equal to a total of each member’s average monthly contribution. The Consortium elected to distribute excess contributions from the original Pool to its participating members. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters, and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City committed to a seventh three-year term that began on January 1, 2010. The City has no ongoing financial responsibility other than the three-year minimum membership. See Note 10.

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, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010 are recorded as deferred revenue.

Property taxes measurable as of December 31, 2010, but which are not intended to finance 2010 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

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 2010.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP 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)	\$584,307
Increase (Decrease):	
Accrued Revenues at December 31, 2010 received during 2011	(2,925,455)
Accrued Revenues at December 31, 2009 received during 2010	2,194,730
Accrued Expenditures at December 31, 2010 paid during 2011	1,423,235
Accrued Expenditures at December 31, 2009 paid during 2010	(1,940,401)
2009 Prepays for 2010	35,716
2010 Prepays for 2011	(31,242)
Outstanding Encumbrances	(503,599)
Budget Basis	<u><u>(\$1,162,709)</u></u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 2, "Cash, Cash Equivalents and Investments."

Investment earnings of \$58,649 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 2, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2010. 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, 2010.

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, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities

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

2. Depreciation

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

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

J. Long-Term Obligations

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

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

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

L. Net Assets

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

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

N. Intergovernmental Revenues

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

O. Interfund Activity

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

P. Interfund Assets/Liabilities

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From/To Other Funds" on the balance sheet. The City had no "Due From/Other Funds" at December 31, 2010. 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. Reservations of Fund Balance

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

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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 2 – 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, 2010

NOTE 2 – 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 \$2,890,717 and the bank balance was \$3,116,457. Federal depository insurance covered \$2,233,064 of the bank balance and \$883,393 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>\$883,393</u>
Total Balance	<u><u>\$883,393</u></u>

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2010 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	\$1,214,980	AAAm ¹	\$1,214,980	\$0
FNMA	1,505,740	Aaa ¹ / AAA ²	0	1,505,740
Negotiable CD's	<u>6,650,525</u>	Aaa ¹ / AAA ²	<u>2,921,810</u>	<u>3,728,715</u>
Total Investments	<u>\$9,371,245</u>		<u>\$4,136,790</u>	<u>\$5,234,455</u>

¹ Standard & Poor's

² Moody's Investor Service

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, 13% are STAR Ohio, 16% are FNMA, and 71% are in Negotiable CD's.

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 3 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reevaluated every six years and equalization adjustments made in the third year following the reappraisal. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on values as of January 1, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost due to the phasing out of the tax. In years 2006-2009, the lost revenue was fully reimbursed. In years 2010-2017, the reimbursements will be phased out.

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

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 3 – TAXES (Continued)

A. Property Taxes (Continued)

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, 2010, 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. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	
Residential	\$427,057,260
Commercial	109,486,380
Industrial	24,283,080
Public Utility Real	37,820
Public Utility Tangible Personal	7,004,610
Total Assessed Valuation	<u><u>\$567,869,150</u></u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010. 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 2010 operations. The receivable is therefore offset by a credit to deferred revenue.

B. Income Tax

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

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

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

CITY OF WORTHINGTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 4 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts. The City also has loans receivable at December 31, 2010 in the amount of \$210,000. This is a result of a loan in the amount of \$600,000 given to Swim Inc. by the City for renovations to the swimming facilities. In 2010 the City passed an ordinance allowing the deferral of principal and interest on the loan for years 2010 and 2011. The balance of the loan will be payable in equal annual installments of \$35,000 on or before December 31 of each year beginning December 2012.

NOTE 5 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Fund	Transfers In	Transfers Out
General Fund	\$0	\$555,000
Capital Improvement Fund	0	750,000
Nonmajor Governmental Funds	<u>1,305,000</u>	<u>0</u>
Total All Funds	<u><u>\$1,305,000</u></u>	<u><u>\$1,305,000</u></u>

Individual interfund loans receivable and payable balances at December 31, 2010, were as follows:

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 6 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$4,855,754	\$0	\$0	\$4,855,754
Construction in Progress	394,858	1,840,664	(371,458)	1,864,064
<i>Capital assets being depreciated:</i>				
Land Improvements	164,786	0	0	164,786
Buildings	19,790,706	0	0	19,790,706
Infrastructure	31,248,062	357,526	(166,728)	31,438,860
Equipment and Furniture	9,186,488	51,029	(7,695)	9,229,822
Vehicles	4,436,794	0	(5,000)	4,431,794
Total Cost	\$70,077,448	\$2,249,219	(\$550,881)	\$71,775,786

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Land Improvements	(\$164,787)	\$0	\$0	(\$164,787)
Buildings	(5,326,628)	(405,295)	0	(5,731,923)
Infrastructure	(18,106,051)	(850,606)	166,728	(18,789,929)
Equipment and Furniture	(5,153,803)	(443,564)	0	(5,597,367)
Vehicles	(2,220,797)	(305,195)	0	(2,525,992)
Total Depreciation	(\$30,972,066)	(\$2,004,660) *	\$166,728	(\$32,809,998)
Net Value:	\$39,105,382			\$38,965,788

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$460,813
Leisure Time Activities	422,241
Community Environment	19,418
Transportation	1,046,390
General Government	55,798
Total Depreciation Expense	\$2,004,660

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 7 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$624,344, \$515,403 and \$446,914, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2010 were \$18,373 made by the City and \$13,124 made by the plan members.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2010, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2010, 2009, and 2008 were \$347,162, \$347,225 and \$341,630 for police and \$521,674, \$490,534 and \$505,623 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 8 - 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, 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$317,374, \$370,639 and \$446,914, respectively, which were equal to the required contributions for each year.

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2010, 2009, and 2008 were \$183,792, \$183,825 and \$180,863 for police and \$204,133, \$191,948 and \$197,852 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, 2010

NOTE 9 - 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, 2010, 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	28,563	\$734,402
Vacation / Compensatory Time	27,040	802,534
Total	<u>55,603</u>	<u>\$1,536,936</u>

NOTE 10 - 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 2010, 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	49,996,684	5,000
Boiler and Machinery	2,500,000	5,000
Crime	100,000	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, 2010

NOTE 10 - RISK MANAGEMENT (Continued)

B. Health Care Benefits

The City participates in the Central Ohio Health Care Consortium, a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of nine political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice-chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board.

The City pays monthly contributions to the Pool, which are used to purchase excess loss insurance for the Pool, pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The monthly contribution is determined for each member in accordance with the number of covered officers and employees, and the prior loss experience of the respective member group. The members' contributions represent 115 percent of the expected costs of the Pool, which will allow the Pool to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the Pool's operations.

The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid to an individual in excess of \$175,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$10,171,499, to a maximum of \$1,000,000 annually. In the event that the losses of the consortium in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past three years.

The City currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate. After a vote to terminate the Pool, the Board would wind-up the Pool's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the Pool would continue to pay all claims and expenses until the Pool's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the Pool would be paid to the members of the Pools who are members as of the termination date. The Board would determine the manner in which such surplus funds would be distributed, and would consider the percentage relationship which each member's contributions to the Pool for the prior three calendar years of the Pool bore to all members' contributions to the Pool for that same period. The City's payment for health insurance coverage to the Central Ohio Health Care Consortium in 2010 was \$1,839,843.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, loans, and compensated absences of the City for the year ended December 31, 2010, were as follows:

	Balance December 31, 2009	Issued	(Retired)	Balance December 31, 2010	Amount Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2001 4.921% Various Purpose	\$940,000	\$0	(\$460,000)	\$480,000	\$480,000
2005 3.890% Various Purpose Refunding	7,050,000	0	(65,000)	6,985,000	70,000
2005 Deferred Loss on Refunding	(484,228)	0	40,353	(443,875)	(40,353)
Total General Obligation Bonds	<u>7,505,772</u>	<u>0</u>	<u>(484,647)</u>	<u>7,021,125</u>	<u>509,647</u>
OPWC Loan:					
0.000% Old Worthington ADA Ramps	144,486	0	(7,810)	136,676	7,810
Compensated Absences	<u>1,437,955</u>	<u>502,779</u>	<u>(403,798)</u>	<u>1,536,936</u>	<u>0</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u><u>\$9,088,213</u></u>	<u><u>\$502,779</u></u>	<u><u>(\$896,255)</u></u>	<u><u>\$8,694,737</u></u>	<u><u>\$517,457</u></u>

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

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

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, 2010, follows:

Years	General Obligation Bonds		OPWC Loan		Totals
	Principal	Interest	Principal	Interest	
2011	\$550,000	\$293,235	\$7,810	\$0	\$851,045
2012	570,000	270,075	7,810	0	847,885
2013	615,000	248,700	7,810	0	871,510
2014	635,000	224,100	7,810	0	866,910
2015	655,000	198,700	7,810	0	861,510
2016-2020	3,630,000	601,975	39,050	0	4,271,025
2021-2025	810,000	32,400	39,050	0	881,450
2026-2028	0	0	19,526	0	19,526
Totals	<u>\$7,465,000</u>	<u>\$1,869,185</u>	<u>\$136,676</u>	<u>\$0</u>	<u>\$9,470,861</u>

B. Defeasance of General Obligation and Special Assessment Debt

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

The net proceeds of the 2005 Various Purposes General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$6,945,000 at December 31, 2010, 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, 2010

NOTE 12 - CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at December 31, 2010:

<u>Project</u>	<u>Amount</u>
Community Center Addition	\$49,531
Cultural Arts Center	8,883
Records Management & Mobile Data System	20,996
Village Green/Oxford Street ADA Ramps	214,561
Traffic Signal Improvements	1,775
Firefighter Community Park	4,348
2005 New & Replacement Equipment	3,210
Worthington Kilbourne Memorial Renovation	145,457
Safety Dept HVAC Improvements	8,270
2007 New & Replacement Equipment	1,041
2007 Sewer Replacement & Lining Project	5,894
S.E. Sewer Shed Study & Master Plan	57,270
R.R. Crossing Signals	1,390
2007 Street Improvement Program	28,188
2008 New & Replacement Equipment	86,675
Michaela Subdivision S.S. Extension	30,000
2008 Street Program/Sidewalk Replacements	27,063
Kenyonbrook Sewer Siphon Removal	14,796
Linworth/Snouffer Resurface	23,051
Highgate/Whitney/Heischman/Shaker Square	4,550
Public Safety Network Upgrades	104,557
Fiber Optic Connection - City Buildings	24,986
Northbrook Relief Sewer Phase II Design	15,938
2009 Street & Sidewalk Program	42,450
Olentangy/Linworth/Godown Resurfacing	34,176
2009 Traffic Signal Improvements	11,331
Granville Rd Blvds	13,598
Building Improvement Program	386,082
2010 Fire Department New & Repl Equipment - Ladder Truck	1,000,000
2010 New & Replacement Equipment - Mowers & Trailer	4,711
Community Center Entrance Pavilion	59,500
Walnut Grove Cemetery Storm Drainage Improvement	424
2010 Street Improvement Program	114,486
Davis Estates Waterline Replacement	339,967
	<u>\$2,889,155</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 13 - CONTINGENT LIABILITIES

A. Litigation

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

B. State and Federal Grants

For the period January 1, 2010, to December 31, 2010, 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.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

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

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

NOTE 15 – 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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 16 – SUBSEQUENT EVENTS

On January 27, 2011, the City issued various improvement notes in the amount of \$1,600,000 for the purpose of acquiring a ladder truck with related equipment and replacing, constructing, and installing a waterline for the Davis Estates subdivision. The notes have an interest rate of 1.5% and mature on January 27, 2012.

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

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

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

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

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

Dave Yost
Auditor of State

October 16, 2012

**CITY OF WORTHINGTON
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-001

Financial Reporting – Material Weakness

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

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

1. Adjustment to increase City's capital assets due to omission of additions in the amount of \$371,458 for Governmental Type Activities.
2. Adjustment to increase City's deferred revenue by \$244,245 from expenditure for the Cash and Cash Equivalents with Fiscal Agent for the Capital Improvement Fund.
3. Adjustment to break out property taxes levied for general purposes of \$429,845 to property taxes levied for police pension of \$167,200, bond retirement of \$94,913, and other local taxes for \$167,732 for Governmental Type Activities.
4. Adjustment to record special assessment receivable and related deferred revenue in the amount of \$111,871 in the Capital Improvement Fund and Governmental Type Activities.
5. Reclassification of the City's undesignated/unreserved fund balance as reserved for encumbrances in the Capital Improvement Fund for \$1,027,854.

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

1. Reclassification of Other Governmental Funds intergovernmental revenue improperly recorded as tax revenue in the amount of \$17,555.
2. Reclassification of Governmental Type Activities invested in capital assets, net of related debt to unrestricted equity for \$136,676 for OPWC debt improperly excluded.
3. Adjustment of General Fund intergovernmental receivable and deferred revenue for homestead and rollback not recorded in the amount of \$186,835 in addition to an adjustment to take the associated \$186,835 of deferred revenue to intergovernmental revenue for Governmental Type Activities.
4. Adjustment of Other Governmental Funds and Governmental Type Activities intergovernmental payable and related expenditures/expense in the amount of \$9,170 for police pension costs not recorded.
5. Reclassification of Noncurrent Liabilities, reducing Due In More than One Year and increasing Due Within One Year by \$403,798; for Compensated Absences due within one year.
6. Reclassification of the City's reserved for encumbrances fund balance to undesignated/unreserved in the General Fund for \$38,125.

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

**CITY OF WORTHINGTON
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010
(Continued)**

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

FINDING NUMBER 2010-001 (Continued)

Financial Reporting – Material Weakness (Continued)

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

Official's Response:

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

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



Dave Yost • Auditor of State

CITY OF WORTHINGTON

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2012**