

**CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2015

MOLLY ROBERTS, FINANCE DIRECTOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Worthington, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 19, 2016

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**CITY OF WORTHINGTON
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the City of Worthington's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of December 31, 2015, and the respective changes in financial position and the budgetary comparison for the general fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the City of Worthington adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and also *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2016, on our consideration of the City of Worthington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Worthington's internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 18, 2016

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2015

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, 2015. 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 2015 are as follows:

- ❑ Net position increased \$2,915,805, which represents an 8% increase from 2014.
- ❑ General revenues accounted for \$27.5 million in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.1 million or 16% of total revenues of \$32.6 million.
- ❑ The City had \$29.7 million in expenses related to governmental activities; only \$5.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$27.5 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$25.5 million in revenues and \$23.9 million in expenditures. The general fund's fund balance increased \$813,434 to \$12,977,417.

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, 2015***

Unaudited

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF WORTHINGTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2015**

Unaudited

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position as of December 31, 2015 and 2014:

	Governmental Activities	
	2015	Restated 2014
Current and Other Assets	\$29,332,120	\$28,229,204
Capital Assets, Net	42,910,571	41,910,928
Total Assets	72,242,691	70,140,132
Deferred Outflows of Resources	3,527,818	2,408,081
Net Pension Liability	22,911,179	21,775,125
Other Long-term Liabilities	8,422,719	9,153,250
Other Liabilities	1,869,269	2,208,070
Total Liabilities	33,203,167	33,136,445
Deferred Inflows of Resources	2,883,851	2,644,082
Net Position		
Net Investment in Capital Assets	36,040,343	34,341,581
Restricted	2,737,671	2,580,781
Unrestricted	905,477	(154,676)
Total Net Position	\$39,683,491	\$36,767,686

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

CITY OF WORTHINGTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Unaudited

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014. The net pension liability reduced beginning of year net position by \$19,649,507 in governmental activities.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2015

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal years 2015 and 2014:

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for Services and Sales	\$3,817,385	\$3,920,134
Operating Grants and Contributions	1,261,922	938,914
Capital Grants and Contributions	0	447,271
Total Program Revenues	<u>5,079,307</u>	<u>5,306,319</u>
General revenues:		
Property Taxes	2,503,244	2,396,954
Municipal Income Taxes	23,428,075	23,636,768
Other Local Taxes	233,061	203,099
Intergovernmental, Unrestricted	788,376	929,797
Investment Earnings	203,962	34,359
Miscellaneous	342,043	522,245
Total General Revenues	<u>27,498,761</u>	<u>27,723,222</u>
Total Revenues	<u>32,578,068</u>	<u>33,029,541</u>
Program Expenses		
Security of Persons and Property	12,601,769	11,222,523
Public Health and Welfare Services	54,045	54,180
Leisure Time Activities	5,901,423	4,733,898
Community Environment	844,283	765,040
Basic Utility Services	1,109,835	2,107,884
Transportation	4,418,018	3,889,137
General Government	4,505,149	6,543,044
Interest and Fiscal Charges	227,741	277,281
Total Expenses	<u>29,662,263</u>	<u>29,592,987</u>
Change in Net Position	2,915,805	3,436,554
Beginning Net Position - Restated	<u>36,767,686</u>	NA
Ending Net Position - Restated	<u>\$39,683,491</u>	<u>\$36,767,686</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,125,618 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,320,392.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2015

Unaudited

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities
Total 2015 program expenses under GASB 68	\$29,662,263
Pension expense under GASB 68	(2,320,392)
2015 contractually required contribution	<u>2,150,544</u>
Adjusted 2015 program expenses	29,492,415
Total 2014 program expenses under GASB 27	<u>29,592,987</u>
Change in program expenses not related to pension	<u><u>(\$100,572)</u></u>

Governmental Activities

Net position of the City's governmental activities increased \$2,915,805. Insurance proceeds received for the community center roof replacement contributed to an increase in operating grants and contributions. The decrease in unrestricted intergovernmental revenues can mostly be attributed to a decrease in estate taxes.

In total, expenses remained stable when compared with the prior year. In 2015, the City began charging insurance costs directly to individual departments. This resulted in a decrease in general government and an increase in other functions. A significant amount of water main repairs were required in 2014, resulting in an increase in basic utility services, and a subsequent decrease in the current year.

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CITY OF WORTHINGTON, OHIO

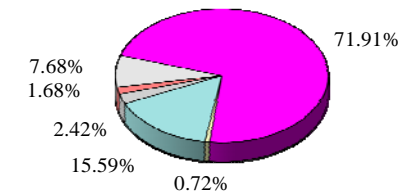
Management's Discussion and Analysis For the Year Ended December 31, 2015

Unaudited

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

Property taxes and income taxes made up 7.68% and 71.91% respectively of revenues for governmental activities for the City in fiscal year 2015, while other local taxes made up 0.72%. The City's reliance upon tax revenues is demonstrated by the following graph indicating 80.31% of total revenues from general tax revenues:

Revenue Sources	2015	Percent of Total
Property Taxes	\$2,503,244	7.68%
Income Taxes	23,428,075	71.91%
Other Local Taxes	233,061	0.72%
Program Revenues	5,079,307	15.59%
Intergovernmental, Unrestricted	788,376	2.42%
General Other	546,005	1.68%
Total Revenue	\$32,578,068	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$22,774,063, which is an increase from last year's balance of \$21,394,822. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 and 2014:

	Fund Balance December 31, 2015	Fund Balance December 31, 2014	Increase (Decrease)
General	\$12,977,417	\$12,163,983	\$813,434
General Obligation			
Bond Retirement	1,213,529	1,122,887	90,642
Capital Improvement	6,785,247	6,335,374	449,873
Other Governmental	1,797,870	1,772,578	25,292
Total	\$22,774,063	\$21,394,822	\$1,379,241

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2015

Unaudited

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

	2015	2014	Increase
	Revenues	Revenues	(Decrease)
Property Taxes	\$2,288,899	\$2,176,911	\$111,988
Municipal Income Taxes	18,858,579	18,825,371	33,208
Other Local Taxes	233,061	203,099	29,962
Intergovernmental Revenues	771,859	908,667	(136,808)
Charges for Services	2,410,521	2,452,769	(42,248)
Licenses, Permits and Fees	453,276	503,885	(50,609)
Investment Earnings	203,662	34,178	169,484
Special Assessments	8,268	21,111	(12,843)
Fines and Forfeitures	174,645	254,040	(79,395)
All Other Revenue	109,101	252,331	(143,230)
Total	<u>\$25,511,871</u>	<u>\$25,632,362</u>	<u>(\$120,491)</u>

Overall, General Fund revenues remained stable, decreasing less than 1% when compared with the prior year. The decrease in intergovernmental revenues can be attributed to a decrease in estate taxes.

	2015	2014	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$11,271,725	\$9,984,889	\$1,286,836
Public Health and Welfare Services	54,045	54,180	(135)
Leisure Time Activities	4,574,734	3,381,180	1,193,554
Community Environment	817,963	626,599	191,364
Basic Utility Services	925,109	1,804,023	(878,914)
Transportation	2,274,722	1,838,459	436,263
General Government	3,939,139	5,535,900	(1,596,761)
Total	<u>\$23,857,437</u>	<u>\$23,225,230</u>	<u>\$632,207</u>

General Fund expenditures increased \$632,207 from the prior year. In 2015, the City began charging insurance costs directly to individual departments. This resulted in a decrease in general government and an increase in other functions. A significant amount of water main repairs were required in 2014, resulting in an increase in basic utility services, and a subsequent decrease in the current year.

General Obligation Bond Retirement Fund – The City's General Obligation Bond Retirement Fund balance increased \$90,642 or 8%. This fund reported the issuance of \$4.6 million of general obligation refunding bonds to refund \$4.4 million of various purpose general obligation bonds issued in 2005.

Capital Improvement Fund – The City's Capital Improvement Fund balance increased \$449,873 or 7%. Capital grants and OPWC loan proceeds received in the prior year resulted in a subsequent decrease in revenues and expenditures in the current year.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2015

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 2015 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$25.6 million did not change from original budget estimates. Actual budget basis revenues were not significantly different from final estimates. Original and final budgeted expenditures were not significantly different. Actual budget basis expenditures were 5% less than final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015 the City had \$42,910,571 net of accumulated depreciation invested in land, construction in progress, land improvements, buildings, infrastructure, equipment and furniture, and vehicles. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land	\$4,855,754	\$4,855,754	\$0
Construction In Progress	235,712	592,693	(356,981)
Land Improvements	164,786	164,786	0
Buildings	23,468,215	22,237,231	1,230,984
Infrastructure	38,560,257	37,206,631	1,353,626
Equipment and Furniture	11,667,931	11,027,941	639,990
Vehicles	5,602,950	5,131,482	471,468
Less: Accumulated Depreciation	(41,645,034)	(39,305,590)	(2,339,444)
Totals	<u>\$42,910,571</u>	<u>\$41,910,928</u>	<u>\$999,643</u>

Improvements to the Kilbourne Memorial Library Building and roof replacement at the community center contributed to the increase in buildings. West Wilson Road Bridge pathway improvements and various street improvement projects resulted in the increase in infrastructure. The increase in equipment can mostly be attributed to the purchase of computers while the purchase of police cruisers resulted in the increase in vehicles.

As of December 31, 2015, the City had contractual commitments of \$1,437,354 related to street improvements, equipment replacements and building improvements. Additional information on the City's capital assets can be found in Note 8.

CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2015

Unaudited

Debt

At December 31, 2015, the City had \$4,510,000 in bonds outstanding, \$730,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2015 and 2014:

	2015	Restated 2014
Governmental Activities:		
General Obligation Bonds	\$4,510,000	\$5,095,000
Bond Anticipation Notes	1,660,000	1,760,000
OPWC Loans	700,228	714,347
Net Pension Liability	22,911,179	21,775,125
Compensated Absences	1,552,491	1,583,903
Total Governmental Activities	<u>\$31,333,898</u>	<u>\$30,928,375</u>

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

ECONOMIC FACTORS

The City of Worthington is building upon its efforts to implement a robust, multi-faceted, and professional economic development program. The City has witnessed the re-emergence of the downtown retailers' association (now affiliated with the national Main Street Program) and deployed tax increment financing exemptions (TIF) to pay for physical infrastructure improvements. The City also had a successful second year of its façade improvement program for exterior enhancements to older commercial buildings in Worthington.

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

Efforts continue to advance, as Worthington is experiencing a number of development activities:

- Worthington awarded four projects under its second-year façade improvement program (known as "ReCAP") for the 1960s-era industrial area on the City's eastern boundary.
- The City continues to attract employers to its High Street corridor, including a new building for FC Bank and their employees.
- Work began on the complete redevelopment of a 57,000 sq.ft. office building in the City's commercial office corridor. The City deployed tax increment financing exemptions to assist with the needed infrastructure improvements at the site.
- One of the City's largest employers, MedVet, announced an expansion of its headquarters operation in Worthington, including the acquisition and renovation of the building next door to its current location which will allow for relocation of the headquarters function to the new building and expansion of the clinical space in its current location.

CITY OF WORTHINGTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Unaudited

- Another large employer, Worthington Industries, completed the renovation of its headquarters in Worthington.
- Work was completed on 200 apartments, 23,000 square feet of Class A office space, and a parking deck to the immediate west of the mall property.
- The City continues to anticipate the redevelopment of the 42-acre United Methodist Children's Home site into residential, office and retail uses.
- \$7 million dollars in federal transportation funds have been programmed to improve an intersection in the City's prime industrial corridor.
- Work continues with the development team to construct a 40,000 sq.ft. neighborhood retail center, anchored with a gourmet grocery market, at the key western gateway to the City.
- The Ohio Department of Transportation continues to make progress on the I-270/US-23 interchange and the I-270/SR-315 along Worthington's northern border to address both congestion and safety problems. These improvements will significantly enhance access to our key office buildings.
- Holiday Inn indicated its intention to demolish its existing, older hotel property and redevelop it into the Village at Worthington Square which proposes to include two new hotels, restaurants and personal and professional services.

REQUESTS FOR INFORMATION

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

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CITY OF WORTHINGTON, OHIO

Statement of Net Position December 31, 2015

	Governmental Activities	Component Unit Community Improvement Corporation
Assets:		
Pooled Cash and Investments	\$ 21,335,550	\$ 0
Cash and Cash Equivalents	0	290,642
Receivables:		
Taxes	6,247,909	0
Accounts	251,210	0
Intergovernmental	810,568	0
Interest	10,174	0
Special Assessments	47,398	0
Loans	105,000	0
Prepaid Items	91,313	0
Restricted Assets:		
Cash and Cash Equivalents with Fiscal Agent	432,998	0
Capital Assets:		
Capital Assets Not Being Depreciated	5,091,466	0
Capital Assets Being Depreciated, Net	37,819,105	0
Total Assets	72,242,691	290,642
Deferred Outflows of Resources:		
Deferred Charge on Debt Refunding	325,034	0
Pension:		
OPERS	1,104,196	0
OP&F	2,098,588	0
Total Deferred Outflows of Resources	3,527,818	0
Liabilities:		
Accounts Payable	351,841	0
Accrued Wages and Benefits	408,633	0
Intergovernmental Payable	680,653	0
Contracts Payable	266,290	0
Retainage Payable	139,979	0
Matured Bonds and Interest Payable	166	0
Accrued Interest Payable	21,707	0
Noncurrent Liabilities:		
Due Within One Year	1,292,368	0
Due in More Than One Year:		
Net Pension Liability	22,911,179	0
Other Amounts Due in More Than One Year	7,130,351	0
Total Liabilities	33,203,167	0
Deferred Inflows of Resources:		
Property Tax Levy for Next Fiscal Year	2,772,891	0
Pension:		
OPERS	110,960	0
Total Deferred Inflows of Resources	2,883,851	0
Net Position:		
Net Investment in Capital Assets	36,040,343	0
Restricted For:		
Capital Projects	375,149	0
Debt Service	1,323,434	0
Other Purposes	1,039,088	0
Unrestricted	905,477	290,642
Total Net Position	\$ 39,683,491	\$ 290,642

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Activities For the Year Ended December 31, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Community Improvement Corporation
Governmental Activities:						
Security of Persons and Property	\$ 12,601,769	\$ 1,327,412	\$ 0	\$ 0	\$ (11,274,357)	
Public Health and Welfare Services	54,045	0	0	0	(54,045)	
Leisure Time Activities	5,901,423	2,172,924	0	0	(3,728,499)	
Community Environment	844,283	222,788	375,000	0	(246,495)	
Basic Utility Services	1,109,835	89,176	0	0	(1,020,659)	
Transportation	4,418,018	5,085	886,922	0	(3,526,011)	
General Government	4,505,149	0	0	0	(4,505,149)	
Interest and Fiscal Charges	227,741	0	0	0	(227,741)	
Total Primary Government	\$ 29,662,263	\$ 3,817,385	\$ 1,261,922	\$ 0	\$ (24,582,956)	
Component Unit:						
Community Improvement Corporation	\$ 538,523	\$ 0	\$ 500,000	\$ 300,000		\$ 261,477
General Revenues						
Property Taxes Levied for:						
General Purposes					2,261,744	0
Bond Retirement					91,801	0
Police Pension					149,699	0
Municipal Income Taxes					23,428,075	0
Other Local Taxes					233,061	0
Intergovernmental, Unrestricted					788,376	0
Investment Earnings					203,962	1,932
Miscellaneous					342,043	0
Total General Revenues					27,498,761	1,932
Change in Net Position					2,915,805	263,409
Net Position Beginning of Year - Restated					36,767,686	27,233
Net Position End of Year					\$ 39,683,491	\$ 290,642

See accompanying notes to the basic financial statements

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CITY OF WORTHINGTON, OHIO

Balance Sheet Governmental Funds December 31, 2015

	General	General Obligation Bond Retirement	Capital Improvement
Assets:			
Pooled Cash and Investments	\$ 11,821,914	\$ 1,213,529	\$ 6,335,110
Receivables:			
Taxes	5,317,011	88,749	685,532
Accounts	238,287	0	0
Intergovernmental	377,300	5,615	0
Interest	10,174	0	0
Special Assessments	0	0	47,398
Loans	0	0	105,000
Interfund Loans Receivable	0	0	153,738
Prepaid Items	32,704	0	58,609
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	50	432,832
Total Assets	\$ 17,797,390	\$ 1,307,943	\$ 7,818,219
Liabilities:			
Accounts Payable	\$ 342,365	\$ 0	\$ 0
Accrued Wages and Benefits Payable	379,242	0	0
Intergovernmental Payable	543,287	0	27,785
Contracts Payable	7,084	0	235,712
Retainage Payable	0	0	139,979
Matured Bonds and Interest Payable	0	50	0
Interfund Loans Payable	0	0	0
Compensated Absences Payable	16,957	0	0
Total Liabilities	1,288,935	50	403,476
Deferred Inflows of Resources:			
Unavailable Amounts	999,954	6,902	629,496
Property Tax Levy for Next Fiscal Year	2,531,084	87,462	0
Total Deferred Inflows of Resources	3,531,038	94,364	629,496
Fund Balances:			
Nonspendable	32,704	0	58,609
Restricted	0	1,213,529	0
Committed	504,457	0	6,726,638
Assigned	826,160	0	0
Unassigned	11,614,096	0	0
Total Fund Balances	12,977,417	1,213,529	6,785,247
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,797,390	\$ 1,307,943	\$ 7,818,219

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,964,997	\$ 21,335,550
156,617	6,247,909
12,923	251,210
427,653	810,568
0	10,174
0	47,398
0	105,000
0	153,738
0	91,313
<u>116</u>	<u>432,998</u>
<u>\$ 2,562,306</u>	<u>\$ 29,485,858</u>
\$ 9,476	\$ 351,841
29,391	408,633
109,581	680,653
23,494	266,290
0	139,979
116	166
153,738	153,738
0	16,957
<u>325,796</u>	<u>2,018,257</u>
284,295	1,920,647
<u>154,345</u>	<u>2,772,891</u>
<u>438,640</u>	<u>4,693,538</u>
0	91,313
1,370,684	2,584,213
427,186	7,658,281
0	826,160
0	11,614,096
<u>1,797,870</u>	<u>22,774,063</u>
<u>\$ 2,562,306</u>	<u>\$ 29,485,858</u>

CITY OF WORTHINGTON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2015

Total Governmental Fund Balances		\$	22,774,063
<i>Amounts reported for governmental activities in the statement of net position are different because</i>			
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.			42,910,571
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			1,920,647
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred Outflows - Pension	3,202,784		
Deferred Inflows - Pension	(110,960)		
Net Pension Liability	<u>(22,911,179)</u>	(19,819,355)	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Various Purpose Bond Anticipation Notes Payable	(1,660,000)		
General Obligation Bonds Payable	(4,510,000)		
Unamortized Deferred Loss on Refunding	325,034		
OPWC Loans Payable	(700,228)		
Compensated Absences Payable	(1,535,534)		
Accrued Interest Payable	<u>(21,707)</u>	<u>(8,102,435)</u>	
<i>Net Position of Governmental Activities</i>		\$	<u>39,683,491</u>

See accompanying notes to the basic financial statements

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CITY OF WORTHINGTON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2015

	General	General Obligation Bond Retirement	Capital Improvement
Revenues:			
Property Taxes	\$ 2,288,899	\$ 92,818	\$ 0
Municipal Income Taxes	18,858,579	0	4,714,644
Other Local Taxes	233,061	0	0
Intergovernmental Revenues	771,859	11,370	0
Charges for Services	2,410,521	0	0
Licenses, Permits and Fees	453,276	0	0
Investment Earnings	203,662	0	0
Special Assessments	8,268	0	9,678
Fines and Forfeitures	174,645	0	0
All Other Revenue	109,101	307	0
Total Revenues	25,511,871	104,495	4,724,322
Expenditures:			
Current:			
Security of Persons and Property	11,271,725	0	0
Public Health and Welfare Services	54,045	0	0
Leisure Time Activities	4,574,734	0	0
Community Environment	817,963	0	0
Basic Utility Services	925,109	0	0
Transportation	2,274,722	0	0
General Government	3,939,139	0	395,480
Capital Outlay	0	0	3,435,649
Debt Service:			
Principal Retirement	0	6,935,000	14,119
Interest and Fiscal Charges	0	278,853	0
Total Expenditures	23,857,437	7,213,853	3,845,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,654,434	(7,109,358)	879,074
Other Financing Sources (Uses):			
Refunding Bonds Issued	0	4,590,000	0
Sale of Notes	0	1,660,000	0
Transfers In	0	950,000	150,000
Transfers Out	(841,000)	0	(954,201)
Insurance Proceeds	0	0	375,000
Total Other Financing Sources (Uses)	(841,000)	7,200,000	(429,201)
Net Change in Fund Balances	813,434	90,642	449,873
Fund Balances at Beginning of Year	12,163,983	1,122,887	6,335,374
Fund Balances End of Year	\$ 12,977,417	\$ 1,213,529	\$ 6,785,247

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 151,493	\$ 2,533,210
0	23,573,223
0	233,061
855,701	1,638,930
895,397	3,305,918
0	453,276
300	203,962
0	17,946
18,308	192,953
28,424	137,832
<u>1,949,623</u>	<u>32,290,311</u>
590,624	11,862,349
0	54,045
859,998	5,434,732
204	818,167
184,510	1,109,619
973,095	3,247,817
11,101	4,345,720
0	3,435,649
0	6,949,119
0	278,853
<u>2,619,532</u>	<u>37,536,070</u>
(669,909)	(5,245,759)
0	4,590,000
0	1,660,000
845,201	1,945,201
(150,000)	(1,945,201)
0	375,000
<u>695,201</u>	<u>6,625,000</u>
25,292	1,379,241
<u>1,772,578</u>	<u>21,394,822</u>
<u>\$ 1,797,870</u>	<u>\$ 22,774,063</u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 1,379,241

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

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

Capital Outlay	3,344,264	
Depreciation Expense	<u>(2,344,621)</u>	999,643

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (87,243)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,150,544

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,320,392)

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

Long Term Note Issuance	(1,660,000)	
Refunding Bond Issuance	<u>(4,590,000)</u>	(6,250,000)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bond Principal Payment	735,000	
General Obligation Bond Refunding	4,440,000	
Deferred Loss on Bond Refunding	42,571	
OPWC Loan Principal Payment	14,119	
Long Term Note Principal Payment	<u>1,760,000</u>	6,991,690

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 8,541

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

Compensated Absences		<u>43,781</u>
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Change in Net Position of Governmental Activities \$ 2,915,805

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,260,993	\$ (39,007)
Municipal Income Taxes	18,508,345	18,508,345	18,993,505	485,160
Other Local Taxes	205,000	205,000	234,010	29,010
Intergovernmental Revenue	825,250	825,250	782,338	(42,912)
Charges for Services	2,557,000	2,557,000	2,426,375	(130,625)
Licenses, Permits and Fees	480,500	480,500	450,926	(29,574)
Investment Earnings	75,000	75,000	110,028	35,028
Special Assessments	25,000	25,000	5,023	(19,977)
Fines and Forfeitures	260,000	260,000	178,214	(81,786)
All Other Revenues	222,000	222,000	87,618	(134,382)
Total Revenues	25,458,095	25,458,095	25,529,030	70,935
Expenditures:				
Current:				
Security of Persons and Property	11,703,728	11,922,613	11,338,880	583,733
Public Health and Welfare Services	116,954	119,141	113,185	5,956
Leisure Time Activities	4,711,098	4,799,206	4,647,934	151,272
Community Environment	691,658	704,594	681,800	22,794
Basic Utility Services	1,017,909	1,036,946	1,026,532	10,414
Transportation	2,709,203	2,759,871	2,543,240	216,631
General Government	4,447,505	4,530,683	4,229,525	301,158
Total Expenditures	25,398,055	25,873,054	24,581,096	1,291,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	60,040	(414,959)	947,934	1,362,893
Other Financing Sources (Uses):				
Transfers In	130,000	130,000	0	(130,000)
Transfers Out	(841,000)	(841,000)	(841,000)	0
Total Other Financing Sources (Uses):	(711,000)	(711,000)	(841,000)	(130,000)
Net Change in Fund Balance	(650,960)	(1,125,959)	106,934	1,232,893
Fund Balance at Beginning of Year	9,505,373	9,505,373	9,505,373	0
Prior Year Encumbrances	741,886	741,886	741,886	0
Fund Balance at End of Year	\$ 9,596,299	\$ 9,121,300	\$ 10,354,193	\$ 1,232,893

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Assets and Liabilities Fiduciary Funds December 31, 2015

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 67,603
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>24,683</u>
Total Assets	<u>92,286</u>
Liabilities:	
Intergovernmental Payable	14,375
Due to Others	76,651
Undistributed Monies	<u>1,260</u>
Total Liabilities	<u>\$ 92,286</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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “*The Financial Reporting Entity*,” as amended by GASB Statement No. 39, “*Determining Whether Certain Organizations Are Component Units*,” and GASB Statement No. 61, “*The Financial Reporting Entity - Omnibus*” in that the financial statements include all organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the City's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the City. Based on the foregoing, the City has one component unit, the Worthington Community Improvement Corporation.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the City's component unit. The City of Worthington Community Improvement Corporation (the “CIC”) was formed pursuant to passage of City of Worthington Ordinance 13-2006, passed April 3, 2006 and incorporated as a not-for-profit corporation under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code for the purpose of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the City of Worthington and its environment.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The CIC is designated by the City as its agency for the industrial, commercial, distribution and research development in the City, in order to promote health, safety, morals and general welfare of the residents of the City of Worthington. The CIC is a legally separate entity and is reported as a component unit of the City due to the nature and significance of the CIC's relationship with the City. Complete financial statements can be obtained from the City's finance department. See Note 19 for additional note disclosure regarding the CIC.

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.

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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 ninth three-year term that begins on January 1, 2016. The City has no ongoing financial responsibility other than the three-year minimum membership. See Note 12.

B. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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.

General Obligation Bond Retirement Fund - To account for resources to be used for payments of principal and interest on the City's general obligation debt.

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

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

D. Basis of Accounting

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

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

The accrual basis of accounting is followed by the government-wide financial statements and fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operations of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, 2015 are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2015, but which are not intended to finance 2015 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

E. Budgetary Process

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

1. Tax Budget

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

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended certificate issued during 2015.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$813,434
Increase (Decrease):	
Accrued Revenues at December 31, 2015 received during 2016	(2,476,288)
Accrued Revenues at December 31, 2014 received during 2015	2,542,886
Accrued Expenditures at December 31, 2015 paid during 2016	1,288,935
Accrued Expenditures at December 31, 2014 paid during 2015	(1,290,066)
2014 Prepays for 2015	35,051
2015 Prepays for 2016	(32,704)
Outstanding Encumbrances	(897,414)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	123,100
Budget Basis	<u>\$106,934</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

Investment earnings of \$95,545 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. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City records all of its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

The City invested funds in the STAR Ohio during 2015. 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, 2015.

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.

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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

2. Depreciation

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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 and has accumulated more than 232 hours of sick leave, is eligible to be paid for thirty percent of the total accrued hours up to a maximum of 640 hours paid.

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

L. Net Position

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Intergovernmental Revenues

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

O. Interfund Activity

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

P. Interfund Assets/Liabilities

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From/To Other Funds" on the balance sheet. The City had no "Due From/To Other Funds" at December 31, 2015. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

Q. Restricted Assets

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

R. Fund Balances

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balances (Continued)

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

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

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

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

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

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

S. Estimates

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

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows for the deferred charge on debt refunding and for deferred pension amounts.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$32,704	\$0	\$58,609	\$0	\$91,313
Total Nonspendable	<u>32,704</u>	<u>0</u>	<u>58,609</u>	<u>0</u>	<u>91,313</u>
Restricted:					
Street Maintenance and Repair	0	0	0	358,266	358,266
Law Enforcement	0	0	0	273,920	273,920
Court Improvements	0	0	0	223,686	223,686
Building Code Inspection	0	0	0	14,953	14,953
Debt Retirement	0	1,213,529	0	124,710	1,338,239
Capital Improvements	0	0	0	375,149	375,149
Total Restricted	<u>0</u>	<u>1,213,529</u>	<u>0</u>	<u>1,370,684</u>	<u>2,584,213</u>
Committed:					
Economic Development	504,457	0	0	0	504,457
Parks and Recreation	0	0	0	238,805	238,805
Water Public Works	0	0	0	25,332	25,332
Sewer Public Works	0	0	0	12,025	12,025
Technology Improvements	0	0	0	80,000	80,000
Bicentennial Celebration	0	0	0	71,024	71,024
Capital Improvements	0	0	6,726,638	0	6,726,638
Total Committed	<u>504,457</u>	<u>0</u>	<u>6,726,638</u>	<u>427,186</u>	<u>7,658,281</u>
Assigned:					
Other Purposes	826,160	0	0	0	826,160
Total Assigned	<u>826,160</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>826,160</u>
Unassigned (Deficits):	11,614,096	0	0	0	11,614,096
Total Fund Balances	<u>\$12,977,417</u>	<u>\$1,213,529</u>	<u>\$6,785,247</u>	<u>\$1,797,870</u>	<u>\$22,774,063</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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

A. Deposits

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

At year end the carrying amount of the City's deposits was \$7,436,852 and the bank balance was \$8,137,691. Federal depository insurance covered \$6,026,460 of the bank balance and \$2,111,231 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>\$2,111,231</u>
Total Balance	<u><u>\$2,111,231</u></u>

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

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

B. Investments

The City's investments at December 31, 2015 were as follows:

	Fair Value	Credit Rating	Concentration of Credit Risk	Investment Maturities (in Years)	
				less than 1	1-3
STAR Ohio	\$16,891	AAAm ¹	0.12%	\$16,891	\$0
Repurchase Agreement	3,055,502	*	21.18%	3,055,502	0
Government Money Market	1,072,537	AA+ ¹	7.44%	1,072,537	0
FFCB	1,992,500	AA+ ¹	13.81%	0	1,992,500
Negotiable CD's	8,286,552	AAA ²	57.45%	3,252,373	5,034,179
Total Investments	<u>\$14,423,982</u>		<u>100.00%</u>	<u>\$7,397,303</u>	<u>\$7,026,679</u>

¹ Standard & Poor's

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

* United States Treasury and United States Agency securities underlie the repurchase agreements and are therefore not subject to credit risk disclosures.

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

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

Concentration of Credit Risk – The City limits the amount the City may invest in one issuer to 30% of the City's investable funds. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City. The City has no policy on custodial credit risk and is governed by the Ohio Revised Code as described under Deposits.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2015 were levied after October 1, 2014 on assessed values as of January 1, 2014, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing Cities in the County, including the City of Worthington. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2015, was \$5.00 per \$1,000 of assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .50% (5.00 mills) of assessed value.

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

The assessed values of real and public utility tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	\$569,185,490
Public Utility Tangible Personal	8,390,700
Total Assessed Valuation	<u>\$577,576,190</u>

Property taxes receivable represent real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2015. 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 2015 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

B. Income Tax

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

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, interest, and utility accounts.

The City also has loans receivable at December 31, 2015 in the amount of \$105,000. This is the result of an interest free loan in the amount of \$600,000 given to Swim Inc. by the City for renovations to the swimming facilities. In 2010 the City passed an ordinance allowing the deferral of principal on the loan for years 2010 and 2011. In 2014 the City passed an ordinance allowing the deferral of principal on the loan until June 30, 2015. The balance of the loan will be payable in equal annual installments of \$35,000 on or before June 30 of each year beginning June 2015.

NOTE 7 – TRANSFERS AND INTERFUND RECEIVABLES/PAYABLES

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Following is a summary of transfers in and out for all funds for 2015:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$841,000
General Obligation Bond Retirement Fund	950,000	0
Capital Improvement Fund	150,000	954,201
Nonmajor Governmental Funds	845,201	150,000
Total All Funds	<u>\$1,945,201</u>	<u>\$1,945,201</u>

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

Individual interfund loan receivable and payable balances at December 31, 2015 were as follows:

	Interfund Loans Receivable	Interfund Loans Payable
Capital Improvement Fund	\$153,738	\$0
Nonmajor Governmental Fund:	0	153,738
Totals	<u>\$153,738</u>	<u>\$153,738</u>

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2015:

Historical Cost:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Capital assets not being depreciated:				
Land	\$4,855,754	\$0	\$0	\$4,855,754
Construction in Progress	592,693	235,712	(592,693)	235,712
	5,448,447	235,712	(592,693)	5,091,466
Capital assets being depreciated:				
Land Improvements	164,786	0	0	164,786
Buildings	22,237,231	1,230,984	0	23,468,215
Infrastructure	37,206,631	1,353,626	0	38,560,257
Equipment and Furniture	11,027,941	645,167	(5,177)	11,667,931
Vehicles	5,131,482	471,468	0	5,602,950
Total Cost	\$81,216,518	\$3,936,957	(\$597,870)	\$84,555,605

Accumulated Depreciation:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Land Improvements	(\$164,786)	\$0	\$0	(\$164,786)
Buildings	(7,428,826)	(440,621)	0	(7,869,447)
Infrastructure	(22,225,274)	(1,097,597)	0	(23,322,871)
Equipment and Furniture	(7,102,683)	(452,769)	5,177	(7,550,275)
Vehicles	(2,384,021)	(353,634)	0	(2,737,655)
Total Depreciation	(\$39,305,590)	(\$2,344,621) *	\$5,177	(\$41,645,034)
Net Value:	\$41,910,928			\$42,910,571

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$526,178
Leisure Time Activities	511,723
Community Environment	29,705
Transportation	1,195,456
General Government	81,559
Total Depreciation Expense	\$2,344,621

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$767,191 for 2015. Of this amount, \$101,766 is reported as an intergovernmental payable.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,383,353 for 2015. Of this amount, \$208,443 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,316,045	\$16,595,134	\$22,911,179
Proportion of the Net Pension Liability	0.052367%	0.320344%	
Pension Expense	\$689,367	\$1,631,025	\$2,320,392

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$337,005	\$715,235	\$1,052,240
City contributions subsequent to the measurement date	<u>767,191</u>	<u>1,383,353</u>	<u>2,150,544</u>
Total Deferred Outflows of Resources	<u>\$1,104,196</u>	<u>\$2,098,588</u>	<u>\$3,202,784</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$110,960</u>	<u>\$0</u>	<u>\$110,960</u>

\$2,150,544 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$33,053	\$178,809	\$211,862
2017	33,053	178,809	211,862
2018	75,687	178,809	254,496
2019	<u>84,252</u>	<u>178,808</u>	<u>263,060</u>
Total	<u>\$226,045</u>	<u>\$715,235</u>	<u>\$941,280</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$11,619,714	\$6,316,045	\$1,849,079

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$22,953,581	\$16,595,134	\$11,211,463

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug coverage, deposits to a Health Reimbursement Arrangement, 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 20 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's contributions for health care to the OPERS for the years ending December 31, 2015, 2014, and 2013 were \$135,782, \$132,596 and \$66,040, 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, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions for health care to the OP&F for the years ending December 31, 2015, 2014, and 2013 were \$14,927, \$14,530 and \$117,512 for police and \$17,307, \$16,435 and \$125,376 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, 2015

NOTE 11 - COMPENSATED ABSENCES

City employees earn sick leave at the rate of ten hours per month. Sick leave may be accumulated and carried forward from year to year without limit. An employee who is to be separated from City service through retirement, layoff, or resignation in good standing after completion of fifteen years continuous service with the City 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, 2015, 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	21,123	\$698,960
Vacation / Compensatory Time	25,794	853,531
Total	<u>46,917</u>	<u>\$1,552,491</u>

NOTE 12 - RISK MANAGEMENT

A. Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2015, 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	61,111,478	5,000
Boiler and Machinery	2,500,000	5,000
Crime	250,000	2,500
Public Officials	1,000,000	10,000
Law Enforcement	1,000,000	10,000
Umbrella	5,000,000	0

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 12 - RISK MANAGEMENT (Continued)

B. Health Care Benefits

The City participates in the Central Ohio Health Care Consortium (COHCC), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The COHCC consists of nine political subdivisions that pool risk for basic hospital, surgical and prescription drug coverage. The COHCC is governed by a Board of Directors consisting of one director appointed by each member municipality. The Board elects a chairman, vice-chairman, secretary and treasurer. The Board is responsible for its own financial matters and the COHCC maintains its own books of account. Budgeting and financing of the COHCC are subject to the approval of the Board. The City pays monthly contributions to the COHCC, which are used to purchase excess loss insurance for the COHCC to pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The monthly contribution is determined for each member in accordance with the number of covered officers and employees, and the prior loss experience of the respective member group. The members' contributions represent 110 percent of the expected costs of the COHCC, which will allow the COHCC to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the COHCC's operations. Financial information for the COHCC can be obtained from Debra Miller, Treasurer, COHCC, 47 Hall Street, Powell, Ohio, 43065.

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

The City currently has no specified percentage share of the COHCC. The only time at which a percentage share would be calculated occurs if the COHCC votes to terminate ongoing operations. After a vote to terminate the COHCC, the Board would wind-up the COHCC's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the COHCC would continue to pay all claims and expenses until the COHCC's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the COHCC would be paid to the members of the COHCC who are members as of the termination date. The Board would determine the manner in which such surplus funds would be distributed, and would consider the percentage relationship which each member's contributions to the COHCC for the prior three calendar years of the COHCC bore to all members' contributions to the COHCC for that same period. The City's payment for health insurance coverage to COHCC in 2015 was \$2,654,250. Dental, vision and life insurance benefits are also provided. The family and single rates are not gender and age sensitive, and are the same for each class of employees.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS

Detail of the changes in the long term liabilities of the City for the year ended December 31, 2015, were as follows:

	Restated Balance December 31, 2014	Issued	(Retired)	Balance December 31, 2015	Amount Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2005 3.89% Various Purpose Refunding	\$5,095,000	\$0	(\$5,095,000)	\$0	\$0
2015 1.62% Various Purpose Refunding	0	4,590,000	(80,000)	4,510,000	730,000
Total General Obligation Bonds	<u>5,095,000</u>	<u>4,590,000</u>	<u>(5,175,000)</u>	<u>4,510,000</u>	<u>730,000</u>
Long Term Bond Anticipation Notes:					
0.84% Various Purpose	1,760,000	0	(1,760,000)	0	0
1.01% Various Purpose	0	1,660,000	0	1,660,000	0
Total Long Term Bond Anticipation Notes	<u>1,760,000</u>	<u>1,660,000</u>	<u>(1,760,000)</u>	<u>1,660,000</u>	<u>0</u>
OPWC Loans:					
0.00% Old Worthington ADA Ramps	101,531	0	(3,905)	97,626	7,810
0.00% Kenyonbrook Sanitary Sewer	612,816	0	(10,214)	602,602	20,427
Total OPWC Loans	<u>714,347</u>	<u>0</u>	<u>(14,119)</u>	<u>700,228</u>	<u>28,237</u>
Net Pension Liability:					
Ohio Public Employees Retirement System	6,173,387	142,658	0	6,316,045	0
Ohio Police and Fire Pension Fund	15,601,738	993,396	0	16,595,134	0
Total Net Pension Liability	<u>21,775,125</u>	<u>1,136,054</u>	<u>0</u>	<u>22,911,179</u>	<u>0</u>
Compensated Absences	1,583,903	520,504	(551,916)	1,552,491	534,131
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$30,928,375</u>	<u>\$7,906,558</u>	<u>(\$7,501,035)</u>	<u>\$31,333,898</u>	<u>\$1,292,368</u>

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

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2015, follows:

Years	General Obligation Bonds		OPWC Loans		Various Purpose BAN	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$730,000	\$73,062	\$28,237	\$0	\$1,660,000	\$16,952
2017	740,000	61,236	28,237	0	0	0
2018	740,000	49,248	28,237	0	0	0
2019	750,000	37,260	28,237	0	0	0
2020	770,000	25,110	28,237	0	0	0
2021-2025	780,000	12,636	141,185	0	0	0
2026-2030	0	0	121,661	0	0	0
2031-2035	0	0	102,135	0	0	0
2036-2040	0	0	102,135	0	0	0
2041-2045	0	0	91,927	0	0	0
Totals	<u>\$4,510,000</u>	<u>\$258,552</u>	<u>\$700,228</u>	<u>\$0</u>	<u>\$1,660,000</u>	<u>\$16,952</u>

B. Defeasance of General Obligation Debt

In November of 2005 the City issued \$7,185,000 of Various Purpose Refunding General Obligation Bonds to defease a portion of the \$9,450,000 of General Obligation Bonds for Various Purposes dated 2001. The net proceeds of the 2005 Various Purposes General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest earned, and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$4,255,000 at December 31, 2015, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

In November 2015 the City refunded \$4,440,000 of the 2005 Various Purpose Refunding General Obligation Bonds through the issuance of \$4,590,000 of General Obligation Bonds. The net proceeds of the 2015 Bonds have been used to currently refund the 2005 bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$310,413 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$295,438.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 14 - CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at December 31, 2015:

<u>Project</u>	<u>Amount</u>
Community Center Roof Replacement	\$218,454
Community Center HVAC System Improvement Project	2,507
Shelter House Replacement	25,000
Griswold Interior Improvements	30,000
Griswold Exterior Improvements	34,999
Griswold Parking Lot Screening	5,749
Olentangy Parklands Trailhead Renovation	5,519
CBD Mobility Study	15,273
Community Wayfinding Signage Project	120,000
2014 New & Replacement Equipment	22,524
2015 New & Replacement Equipment	657,154
Building Improvement Program	3,988
SE Sewer Shed Study & Master Plan	18,683
2014 Traffic Signal Replacements	2,739
Wilson Bridge Road Improvements	63,272
2014 Street Improvement Program	381
2015 Street Improvement Program	33,382
Michaela Sanitary Sewer Improvements	30,000
Kenyonbrook Siphon Removal Project	12,124
SE Sewer Shed Basins 6&8 SSES	50,263
Central Business District Sanitary Sewer Improvements	42,137
Central Business District Sanitary Sewer Repairs	43,206
	<u>\$1,437,354</u>

NOTE 15 - CONTINGENT LIABILITIES

A. Litigation

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

B. State and Federal Grants

For the period January 1, 2015, to December 31, 2015, the City received state and federal grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Mid-Ohio Regional Planning Commission - The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 84 representatives appointed by member governments who make up the commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south-central Ohio and a regional planning agency whose membership includes 44 political subdivisions in and around Franklin, Delaware, Fairfield, Licking, Madison, Morrow, Pickaway, Ross and Union counties. MORPC's area of interest also includes Fayette, Marion, and Knox counties resulting in a strong 12-county region. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support livability/sustainability measures as a means of addressing regional growth challenges, and to administer and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

NOTE 17 – JOINT VENTURE

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

NOTE 18 – SUBSEQUENT EVENTS

On January 19, 2016, the City issued bond anticipation notes in the amount of \$1,560,000 to retire notes previously issued in the amount of \$1,660,000 for the acquisition of a fire truck, constructing and installing a waterline for the Davis Estates subdivision and for the community center window replacement project. The notes have an interest rate of 1.40% and mature on January 18, 2017.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

NOTE 19 – COMPONENT UNIT

The component unit column in the government-wide financial statements includes the financial data of the City's component unit, the Worthington Community Improvement Corporation (CIC).

A. Basis of Accounting

The basic financial statements of the CIC are prepared using the accrual basis of accounting in conformity with GAAP.

B. Basis of Presentation

The CIC's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The CIC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally resulted from providing services in connection with the CIC's principal ongoing operation. The principal operating revenues of the CIC are contributions from the City and investment income. The City of Worthington made \$500,000 of contributions toward CIC operations in 2015 with an additional \$300,000 provided by the State of Ohio for a capital improvement grant. Operating expenses for the CIC primarily include professional fees and service contract fees. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

C. Federal Income Tax

The City of Worthington Community Improvement Corporation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

D. Deposits

As of December 31, 2015, the carrying amount of the CIC's deposits was in the amount of \$290,642. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2015, \$250,000 of the bank balance of was covered by the Federal Deposit Insurance Corporation. The remaining balance of \$40,642 was uninsured. There are no significant statutory restrictions regarding the deposits and investments of funds held by the not-for-profit corporation.

E. Contributions from the City

The CIC received \$500,000 in contributions from the City of Worthington during the year 2015.

F. Contingent Liabilities

For the period January 1, 2015 to December 31, 2015, the CIC received a state grant for a specific purpose that is subject to review and audit by the grantor agency or its designee. Said audit 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 CIC believes such disallowance, if any, would be immaterial.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WORTHINGTON, OHIO

Schedules of Required Supplementary Information – Schedule of City's Proportionate Share of the Net Pension Liability Last Two Years

Ohio Public Employees Retirement System

Fiscal Year	2013	2014
City's proportion of the net pension liability (asset)	0.052367%	0.052367%
City's proportionate share of the net pension liability (asset)	\$6,173,387	\$6,316,045
City's covered-employee payroll	\$6,628,738	\$6,439,617
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.13%	98.08%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Fiscal Year	2013	2014
City's proportion of the net pension liability (asset)	0.320344%	0.320344%
City's proportionate share of the net pension liability (asset)	\$15,601,738	\$16,595,134
City's covered-employee payroll	\$7,143,963	\$6,315,026
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.39%	262.79%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF WORTHINGTON, OHIO

Schedules of Required Supplementary Information – Schedule of City Contributions Last Three Years

Ohio Public Employees Retirement System

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$861,736	\$772,754	\$767,191
Contributions in relation to the contractually required contribution	<u>861,736</u>	<u>772,754</u>	<u>767,191</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$6,628,738	\$6,439,617	\$6,393,258
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$1,222,690	\$1,352,864	\$1,383,353
Contributions in relation to the contractually required contribution	<u>1,222,690</u>	<u>1,352,864</u>	<u>1,383,353</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$7,143,963	\$6,315,026	\$6,460,034
Contributions as a percentage of covered-employee payroll	17.12%	21.42%	21.41%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Worthington, Franklin County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Worthington's basic financial statements and have issued our report thereon dated July 18, 2016, wherein we noted as discussed in Note 2, the City of Worthington adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Members of Council and Mayor
City of Worthington

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
July 18, 2016



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
OCTOBER 4, 2016**