

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

UNAUDITED

Prepared by:
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Director of Finance

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CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

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The discussion and analysis of the City of Worthington's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. 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 2017 are as follows:

- ❑ Net position increased \$1,826,623, which represents a 5% increase from 2016.
- ❑ General revenues accounted for \$31.4 million in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4.9 million or 13% of total revenues of \$36.3 million.
- ❑ The City had \$34.5 million in expenses related to governmental activities; only \$4.9 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$31.4 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$28.5 million in revenues and \$25.5 million in expenditures. The general fund's fund balance increased \$2,179,003 to \$16,127,590.

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.

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Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

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***Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position as of December 31, 2017 and 2016:

	Governmental Activities	
	2017	Restated 2016
Current and Other Assets	\$36,201,088	\$31,621,677
Capital Assets, Net	43,216,268	40,807,420
Total Assets	<u>79,417,356</u>	<u>72,429,097</u>
Deferred Outflows of Resources	8,011,375	8,444,329
Net Pension Liability	30,956,410	29,562,997
Other Long-term Liabilities	9,287,950	7,516,152
Other Liabilities	2,680,900	1,857,738
Total Liabilities	<u>42,925,260</u>	<u>38,936,887</u>
Deferred Inflows of Resources	3,915,092	3,174,783
Net Position		
Net Investment in Capital Assets	35,853,600	35,066,291
Restricted	3,882,091	3,738,858
Unrestricted (Deficit)	852,688	(43,393)
Total Net Position	<u>\$40,588,379</u>	<u>\$38,761,756</u>

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" significantly revised 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 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

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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.

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CITY OF WORTHINGTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

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Changes in Net Position – The following table shows the changes in net position for the fiscal years 2017 and 2016:

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for Services and Sales	\$3,978,484	\$3,900,579
Operating Grants and Contributions	934,301	1,202,627
Total Program Revenues	<u>4,912,785</u>	<u>5,103,206</u>
General revenues:		
Property Taxes	2,800,084	2,758,956
Municipal Income Taxes	27,009,943	25,006,898
Other Local Taxes	185,435	217,345
Intergovernmental, Unrestricted	722,404	771,640
Investment Earnings	119,705	170,700
Miscellaneous	581,837	382,161
Total General Revenues	<u>31,419,408</u>	<u>29,307,700</u>
Total Revenues	<u>36,332,193</u>	<u>34,410,906</u>
Program Expenses		
Security of Persons and Property	14,453,396	13,827,841
Public Health and Welfare Services	73,770	42,559
Leisure Time Activities	6,699,989	6,239,900
Community Environment	1,028,043	1,098,121
Basic Utility Services	1,379,682	1,079,883
Transportation	4,927,655	4,669,503
General Government	5,744,026	5,188,392
Interest and Fiscal Charges	199,009	147,987
Total Expenses	<u>34,505,570</u>	<u>32,294,186</u>
Change in Net Position	1,826,623	2,116,720
Beginning Net Position - Restated	<u>38,761,756</u>	<u>36,645,036</u>
Ending Net Position	<u>\$40,588,379</u>	<u>\$38,761,756</u>

Governmental Activities

Net position of the City's governmental activities increased \$1,826,623. An increase in revenue was the result of an increase in income taxes. This can be attributed to taxes received on a large bonus paid by an employer, improving economic conditions, and economic development efforts by the City. A decrease in operating grants was the result of amounts received in the prior year from the Worthington CIC.

Expenses increased approximately 7% from the prior year, which was a result of changes in the net pension liability. A portion of the increase can also be attributed to increases in police and fire wages.

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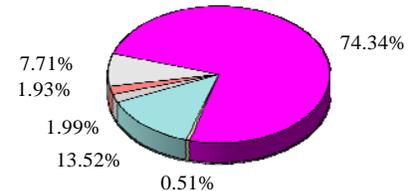
Management's Discussion and Analysis For the Year Ended December 31, 2017

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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 7.71% and 74.34% respectively of revenues for governmental activities in fiscal year 2017, while other local taxes made up 0.51%. The City's reliance upon tax revenues is demonstrated by the following graph indicating 82.56% of total revenues from general tax revenues:

Revenue Sources	2017	Percent of Total
Property Taxes	\$2,800,084	7.71%
Income Taxes	27,009,943	74.34%
Other Local Taxes	185,435	0.51%
Program Revenues	4,912,785	13.52%
Intergovernmental, Unrestricted	722,404	1.99%
General Other	701,542	1.93%
Total Revenue	\$36,332,193	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$28,687,609, which is an increase from last year's balance of \$25,000,177. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	\$16,127,590	\$13,948,587	\$2,179,003
Capital Improvement	8,768,156	7,384,388	1,383,768
Other Governmental	3,791,863	3,667,202	124,661
Total	\$28,687,609	\$25,000,177	\$3,687,432

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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:

	2017 Revenues	2016 Revenues	Increase (Decrease)
Property Taxes	\$2,330,045	\$2,313,921	\$16,124
Municipal Income Taxes	21,848,758	20,145,395	1,703,363
Other Local Taxes	185,435	217,345	(31,910)
Intergovernmental Revenues	677,044	751,846	(74,802)
Charges for Services	2,425,854	2,291,006	134,848
Licenses, Permits and Fees	466,285	519,593	(53,308)
Investment Earnings	113,291	170,700	(57,409)
Special Assessments	18,781	11,634	7,147
Fines and Forfeitures	158,770	153,753	5,017
All Other Revenue	323,295	72,131	251,164
Total	\$28,547,558	\$26,647,324	\$1,900,234

General Fund revenues increased approximately 7% when compared with the prior year. An increase in income taxes can be attributed to taxes received on a large bonus paid by an employer, improving economic conditions, and economic development efforts by the City.

	2017 Expenditures	2016 Expenditures	Increase (Decrease)
Security of Persons and Property	\$11,991,929	\$11,273,938	\$717,991
Public Health and Welfare Services	73,770	42,559	31,211
Leisure Time Activities	4,643,018	4,577,337	65,681
Community Environment	869,822	1,046,072	(176,250)
Basic Utility Services	1,080,283	933,931	146,352
Transportation	2,350,844	2,260,166	90,678
General Government	4,460,695	4,467,151	(6,456)
Total	\$25,470,361	\$24,601,154	\$869,207

General Fund expenditures increased \$869,207, or 4% from the prior year. An increase in security of persons and property can be attributed to contractual costs, supplies, and wages. Costs in the prior year for the City's Re-emergent Corridor Assistance Program (ReCap) resulted in the subsequent decrease in community environment in the current year.

Capital Improvement Fund – The City's Capital Improvement Fund balance increased \$1,383,768 or 19%. An increase in revenue was the result of a substantial increase in income taxes. An increase in income taxes can be attributed to taxes received on a large bonus paid by an employer, improving economic conditions, and economic development efforts by the City. An increase in expenditures can be attributed to various improvement projects and equipment purchases.

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

During the course of fiscal year 2017 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$26.9 million was not significantly different from original budget estimates. Actual budget basis revenues were not significantly different from final estimates. Final budgeted expenditures increased from original estimates due mostly to increases in transfers out to other funds. 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 2017 the City had \$43,216,268 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 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	Restated 2016	
Land	\$8,224,837	\$8,224,837	\$0
Construction In Progress	2,039,463	1,155,316	884,147
Land Improvements	2,101,164	2,090,259	10,905
Buildings	22,915,845	22,908,498	7,347
Infrastructure	43,188,364	40,683,587	2,504,777
Equipment and Furniture	6,563,228	6,249,556	313,672
Vehicles	6,520,561	5,697,456	823,105
Less: Accumulated Depreciation	(48,337,194)	(46,202,089)	(2,135,105)
Totals	\$43,216,268	\$40,807,420	\$2,408,848

The City restated beginning of year capital asset balances to reflect a reappraisal of assets. Additions to infrastructure included routine street maintenance, various street improvements, sanitary sewer improvements, baseball field improvements, and tennis court improvements. Additions to equipment and vehicles included a leaf vacuum, fitness equipment, medic cot, street sweeper, fire truck, and police cruisers.

As of December 31, 2017, the City had contractual commitments of \$3,477,362 related to street improvements, equipment replacements and building improvements. Additional information on the City's capital assets can be found in Note 8.

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Management's Discussion and Analysis For the Year Ended December 31, 2017

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Debt

At December 31, 2017, the City had \$6,785,000 in bonds outstanding, \$960,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2017 and 2016:

	2017	2016
Governmental Activities:		
General Obligation Bonds	\$6,785,000	\$3,780,000
Bond Anticipation Notes	0	1,560,000
OPWC Loans	629,635	671,991
Capital Leases Payable	164,723	0
Net Pension Liability	30,956,410	29,562,997
Compensated Absences	1,708,592	1,504,161
Total Governmental Activities	<u>\$40,244,360</u>	<u>\$37,079,149</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, The Old Worthington Partnership, and deployed tax increment financing exemptions (TIF) to support physical infrastructure improvements. The City also had a successful fourth 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 three projects under its fourth-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, adding two new buildings directly adjacent to the CVS property.
- Work was completed on the 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, and also approved legislation to join a Special Improvement District that would support Property Assessed Clean Energy financing.
- The City welcomed COhatch Worthington and The Madery to the long-vacant Kilbourne Memorial Building on the City's Village Green.
- MedVet Medical & Cancer Center for Pets continued to grow, acquiring and renovating the adjacent ADD building for their administrative functions.

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- The City continues to anticipate the redevelopment of the 42-acre United Methodist Children's Home site into residential, office and retail uses.
- The City has begun working with Lawyers Development Corporation on the redevelopment of 200,000 sq.ft. of office space along the High Street corridor. This was the former location of Anthem Blue Cross Blue Shield.
- The City saw the opening of several businesses at Linworth Crossing Plaza, a new 40,000 sq.ft. retail development at the City's western gateway.
- The Ohio Department of Transportation successfully completed work 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 owners have shared their intentions to demolish its existing, older hotel property and redevelop it into the Village at Worthington Square which proposes to include one new boutique hotel, 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 Scott F. Bartter, Director of Finance for the City of Worthington.

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CITY OF WORTHINGTON, OHIO

Statement of Net Position December 31, 2017

	Governmental Activities	Component Unit Community Improvement Corporation
Assets:		
Pooled Cash and Investments	\$ 26,567,334	\$ 0
Cash and Cash Equivalents	0	28,706
Receivables:		
Taxes	7,520,552	0
Accounts	336,956	0
Intergovernmental	950,291	0
Interest	71,957	0
Special Assessments	51,639	0
Loans	28,201	0
Prepaid Items	98,529	0
Restricted Assets:		
Cash and Cash Equivalents with Fiscal Agent	575,629	0
Capital Assets:		
Capital Assets Not Being Depreciated	10,264,300	0
Capital Assets Being Depreciated, Net	32,951,968	0
Total Assets	79,417,356	28,706
Deferred Outflows of Resources:		
Deferred Charge on Debt Refunding	216,690	0
Pension:		
OPERS	4,381,265	0
OP&F	3,413,420	0
Total Deferred Outflows of Resources	8,011,375	0
Liabilities:		
Accounts Payable	651,851	0
Accrued Wages and Benefits	533,641	0
Intergovernmental Payable	626,785	0
Contracts Payable	781,453	0
Retainage Payable	76,003	0
Matured Bonds and Interest Payable	166	0
Accrued Interest Payable	11,001	0
Noncurrent Liabilities:		
Due Within One Year	1,533,328	0
Due in More Than One Year:		
Net Pension Liability	30,956,410	0
Other Amounts Due in More Than One Year	7,754,622	0
Total Liabilities	42,925,260	0

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	<u>Governmental Activities</u>	<u>Component Unit Community Improvement Corporation</u>
Deferred Inflows of Resources:		
Property Tax Levy for Next Fiscal Year	3,113,577	0
Pension:		
OPERS	236,040	0
OP&F	565,475	0
Total Deferred Inflows of Resources	<u>3,915,092</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	35,853,600	0
Restricted For:		
Capital Projects	1,288,190	0
Debt Service	1,186,368	0
Other Purposes	1,407,533	0
Unrestricted	852,688	28,706
Total Net Position	<u>\$ 40,588,379</u>	<u>\$ 28,706</u>

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Activities For the Year Ended December 31, 2017

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Security of Persons and Property	\$ 14,453,396	\$ 1,358,886	\$ 28,764
Public Health and Welfare Services	73,770	0	0
Leisure Time Activities	6,699,989	2,283,207	0
Community Environment	1,028,043	245,942	0
Basic Utility Services	1,379,682	90,196	0
Transportation	4,927,655	251	905,537
General Government	5,744,026	2	0
Interest and Fiscal Charges	199,009	0	0
Total Primary Government	\$ 34,505,570	\$ 3,978,484	\$ 934,301
Component Unit:			
Community Improvement Corporation	\$ 221,807	\$ 0	\$ 230,000

General Revenues

Property Taxes Levied for:

General Purposes

Bond Retirement

Police Pension

Capital Projects

Municipal Income Taxes

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Net (Expense) Revenue and Changes in Net Position	Component Unit
Governmental Activities	Community Improvement Corporation
\$ (13,065,746)	
(73,770)	
(4,416,782)	
(782,101)	
(1,289,486)	
(4,021,867)	
(5,744,024)	
(199,009)	
<u>\$ (29,592,785)</u>	
	<u>\$ 8,193</u>
2,368,481	0
87,842	0
155,045	0
188,716	0
27,009,943	0
185,435	0
722,404	0
119,705	126
581,837	0
<u>31,419,408</u>	<u>126</u>
1,826,623	8,319
<u>38,761,756</u>	<u>20,387</u>
<u>\$ 40,588,379</u>	<u>\$ 28,706</u>

CITY OF WORTHINGTON, OHIO

Balance Sheet Governmental Funds December 31, 2017

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 13,993,422	\$ 8,606,288	\$ 3,967,624	\$ 26,567,334
Receivables:				
Taxes	5,888,064	860,466	772,022	7,520,552
Accounts	319,375	0	17,581	336,956
Intergovernmental	505,907	0	444,384	950,291
Interest	71,957	0	0	71,957
Special Assessments	0	51,639	0	51,639
Loans	28,201	0	0	28,201
Interfund Loans Receivable	0	153,738	0	153,738
Prepaid Items	34,398	64,131	0	98,529
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	575,463	166	575,629
Total Assets	\$ 20,841,324	\$ 10,311,725	\$ 5,201,777	\$ 36,354,826
Liabilities:				
Accounts Payable	\$ 637,930	\$ 0	\$ 13,921	\$ 651,851
Accrued Wages and Benefits Payable	493,335	0	40,306	533,641
Intergovernmental Payable	458,118	32,241	136,426	626,785
Contracts Payable	0	781,453	0	781,453
Retainage Payable	0	76,003	0	76,003
Matured Bonds and Interest Payable	0	0	166	166
Interfund Loans Payable	0	0	153,738	153,738
Compensated Absences Payable	16,350	0	0	16,350
Total Liabilities	1,605,733	889,697	344,557	2,839,987
Deferred Inflows of Resources:				
Unavailable Amounts	757,358	653,872	302,423	1,713,653
Property Tax Levy for Next Fiscal Year	2,350,643	0	762,934	3,113,577
Total Deferred Inflows of Resources	3,108,001	653,872	1,065,357	4,827,230
Fund Balances:				
Nonspendable	34,398	64,131	0	98,529
Restricted	0	0	3,052,161	3,052,161
Committed	587,181	8,704,025	739,702	10,030,908
Assigned	1,463,862	0	0	1,463,862
Unassigned	14,042,149	0	0	14,042,149
Total Fund Balances	16,127,590	8,768,156	3,791,863	28,687,609
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,841,324	\$ 10,311,725	\$ 5,201,777	\$ 36,354,826

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2017

Total Governmental Fund Balances		\$	28,687,609
<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.			43,216,268
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			1,713,653
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	7,794,685		
Deferred Inflows - Pension	(801,515)		
Net Pension Liability	<u>(30,956,410)</u>	(23,963,240)	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital Leases Payable	(164,723)		
General Obligation Bonds Payable	(6,785,000)		
Unamortized Deferred Loss on Refunding	216,690		
OPWC Loans Payable	(629,635)		
Compensated Absences Payable	(1,692,242)		
Accrued Interest Payable	<u>(11,001)</u>	<u>(9,065,911)</u>	
<i>Net Position of Governmental Activities</i>		\$	<u>40,588,379</u>

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2017

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,330,045	\$ 0	\$ 457,804	\$ 2,787,849
Municipal Income Taxes	21,848,758	5,462,190	0	27,310,948
Other Local Taxes	185,435	0	0	185,435
Intergovernmental Revenues	677,044	0	901,156	1,578,200
Charges for Services	2,425,854	0	1,100,675	3,526,529
Licenses, Permits and Fees	466,285	0	0	466,285
Investment Earnings	113,291	0	513	113,804
Special Assessments	18,781	36,968	0	55,749
Fines and Forfeitures	158,770	0	13,944	172,714
All Other Revenue	323,295	7,943	27,982	359,220
Total Revenues	28,547,558	5,507,101	2,502,074	36,556,733
Expenditures:				
Current:				
Security of Persons and Property	11,991,929	0	640,356	12,632,285
Public Health and Welfare Services	73,770	0	0	73,770
Leisure Time Activities	4,643,018	0	872,806	5,515,824
Community Environment	869,822	0	247	870,069
Basic Utility Services	1,080,283	0	216,950	1,297,233
Transportation	2,350,844	0	968,842	3,319,686
General Government	4,460,695	463,141	35,563	4,959,399
Capital Outlay	0	5,609,059	0	5,609,059
Debt Service:				
Principal Retirement	0	87,950	2,515,000	2,602,950
Interest and Fiscal Charges	0	0	159,343	159,343
Total Expenditures	25,470,361	6,160,150	5,409,107	37,039,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,077,197	(653,049)	(2,907,033)	(482,885)
Other Financing Sources (Uses):				
Bond Issuance	0	2,400,000	1,560,000	3,960,000
Capital Lease Issuance	0	210,317	0	210,317
Transfers In	24,276	150,000	1,645,970	1,820,246
Transfers Out	(922,470)	(723,500)	(174,276)	(1,820,246)
Total Other Financing Sources (Uses)	(898,194)	2,036,817	3,031,694	4,170,317
Net Change in Fund Balances	2,179,003	1,383,768	124,661	3,687,432
Fund Balances at Beginning of Year	13,948,587	7,384,388	3,667,202	25,000,177
Fund Balances End of Year	\$ 16,127,590	\$ 8,768,156	\$ 3,791,863	\$ 28,687,609

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 3,687,432

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	5,193,780	
Depreciation Expense	<u>(2,776,790)</u>	2,416,990

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

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	(8,142)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(224,540)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	2,385,646
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(4,635,649)
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The issuance of long-term debt provides current financial resources to governmental funds, however, has no effect on net position.	
Bond Issuance	(3,960,000)
Capital Lease Issuance	<u>(210,317)</u>
	(4,170,317)

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	955,000	
Deferred Loss on Bond Refunding	(54,172)	
OPWC Loan Principal Payment	42,356	
Long Term Note Principal Payment	1,560,000	
Capital Lease Principal Payment	<u>45,594</u>	2,548,778

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	14,506
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Compensated Absences	<u>(188,081)</u>

Change in Net Position of Governmental Activities \$ 1,826,623

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,462,431	\$ 2,450,000	\$ 2,330,045	\$ (119,955)
Municipal Income Taxes	19,849,970	19,749,766	21,006,562	1,256,796
Other Local Taxes	216,091	215,000	186,607	(28,393)
Intergovernmental Revenue	764,475	760,616	689,634	(70,982)
Charges for Services	2,597,472	2,584,360	2,310,178	(274,182)
Licenses, Permits and Fees	498,014	495,500	470,417	(25,083)
Investment Earnings	135,685	135,000	215,776	80,776
Special Assessments	25,127	25,000	27,523	2,523
Fines and Forfeitures	266,345	265,000	157,159	(107,841)
All Other Revenues	241,217	240,000	319,524	79,524
Total Revenues	<u>27,056,827</u>	<u>26,920,242</u>	<u>27,713,425</u>	<u>793,183</u>
Expenditures:				
Current:				
Security of Persons and Property	12,762,368	12,629,915	12,046,847	583,068
Public Health and Welfare Services	78,252	77,440	73,770	3,670
Leisure Time Activities	5,028,751	4,976,561	4,816,980	159,581
Community Environment	815,521	807,057	738,104	68,953
Basic Utility Services	999,235	988,865	983,000	5,865
Transportation	2,779,446	2,750,600	2,515,334	235,266
General Government	4,966,038	4,914,498	4,601,423	313,075
Total Expenditures	<u>27,429,611</u>	<u>27,144,936</u>	<u>25,775,458</u>	<u>1,369,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(372,784)	(224,694)	1,937,967	2,162,661
Other Financing Sources (Uses):				
Transfers Out	<u>(900,000)</u>	<u>(1,722,470)</u>	<u>(1,722,470)</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>(900,000)</u>	<u>(1,722,470)</u>	<u>(1,722,470)</u>	<u>0</u>
Net Change in Fund Balance	(1,272,784)	(1,947,164)	215,497	2,162,661
Fund Balance at Beginning of Year	10,884,029	10,884,029	10,884,029	0
Prior Year Encumbrances	745,694	745,694	745,694	0
Fund Balance at End of Year	<u>\$ 10,356,939</u>	<u>\$ 9,682,559</u>	<u>\$ 11,845,220</u>	<u>\$ 2,162,661</u>

See accompanying notes to the basic financial statements

CITY OF WORTHINGTON, OHIO

Statement of Assets and Liabilities Fiduciary Funds December 31, 2017

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 146,637
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>18,089</u>
Total Assets	<u>164,726</u>
Liabilities:	
Intergovernmental Payable	89,599
Due to Others	74,410
Undistributed Monies	<u>717</u>
Total Liabilities	<u>\$ 164,726</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, 2017

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, 2017

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, 2017

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 ten 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 began 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for the mayor's court 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, 2017

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, 2017

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, 2017 are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2017, but which are not intended to finance 2017 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 2017.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$2,179,003
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(3,644,716)
Accrued Revenues at December 31, 2016 received during 2017	2,805,634
Accrued Expenditures at December 31, 2017 paid during 2018	1,605,733
Accrued Expenditures at December 31, 2016 paid during 2017	(1,123,836)
2016 Prepays for 2017	34,855
2017 Prepays for 2018	(34,398)
Outstanding Encumbrances	(1,647,974)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	41,196
Budget Basis	<u>\$215,497</u>

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 \$55,885 earned by other funds were credited to the General Fund as required by State Statute.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 4, "Cash, Cash Equivalents and Investments."

The City's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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, 2017

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 acquisition 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
Capital Leases Payable	Capital Improvement 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, 2017

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, 2017

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, 2017. Short-term interfund loans are classified as “Interfund Receivables/Payables,” while long-term interfund loans are classified as “Interfund Loan Receivables/Payables.”

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, 2017

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources (Continued)

The deferred charge on debt refunding is reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are reported for pension amounts on the government-wide statement of net position. See Note 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. See Note 9.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,” Statement No. 81, “Irrevocable Split-Interest Agreements,” and Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (Continued)

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments.

GASB Statement No. 81 addresses irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.

These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

During 2017 the City completed a reappraisal of capital asset balances.

The capital asset reappraisal had the following effect on net position as reported December 31, 2016:

	<u>Governmental Activities</u>
Net Position December 31, 2016	\$41,800,211
Adjustments:	
Capital Asset Reappraisal	<u>(3,038,455)</u>
Restated Net Position December 31, 2016	<u>\$38,761,756</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$34,398	\$64,131	\$0	\$98,529
Total Nonspendable	34,398	64,131	0	98,529
Restricted:				
Street Maintenance and Repair	0	0	287,916	287,916
Law Enforcement	0	0	622,944	622,944
Court Improvements	0	0	234,114	234,114
Disaster Relief	0	0	15,884	15,884
Building Code Inspection	0	0	14,957	14,957
Debt Retirement	0	0	1,187,932	1,187,932
Capital Improvements	0	0	688,414	688,414
Total Restricted	0	0	3,052,161	3,052,161
Committed:				
Economic Development	587,181	0	0	587,181
Parks and Recreation	0	0	427,019	427,019
Water Public Works	0	0	91,427	91,427
Sewer Public Works	0	0	69,719	69,719
Technology Improvements	0	0	80,000	80,000
Bicentennial Celebration	0	0	71,537	71,537
Capital Improvements	0	8,704,025	0	8,704,025
Total Committed	587,181	8,704,025	739,702	10,030,908
Assigned:				
Other Purposes	1,463,862	0	0	1,463,862
Total Assigned	1,463,862	0	0	1,463,862
Unassigned (Deficits):	14,042,149	0	0	14,042,149
Total Fund Balances	\$16,127,590	\$8,768,156	\$3,791,863	\$28,687,609

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2017, the carrying amount of the City's deposits was \$6,210,848 and the bank balance was \$6,519,653. Of the bank balance, \$5,754,821 was covered by federal depository insurance and \$764,832 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

The City had \$575,463 related to permissive tax monies held and secured by Franklin County, which is reported as cash with fiscal agent.

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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

B. Investments

The City's investments at December 31, 2017 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)	
					less than 1	1-3
STAR Ohio ³	\$17,148	AAAm ¹	NA	0.08%	\$17,148	\$0
Repurchase Agreement ³	8,570,748	*	NA	41.77%	8,570,748	0
Government Money Market ³	129,605	AA+ ¹	NA	0.63%	129,605	0
FHLMC	1,495,725	AA+ ¹	Level 2	7.29%	1,495,725	0
FNMA	2,569,866	AA+ ¹	Level 2	12.52%	0	2,569,866
Negotiable CD's	7,738,286	AAA ²	Level 2	37.71%	3,304,491	4,433,795
Total Investments	<u>\$20,521,378</u>			<u>100.00%</u>	<u>\$13,517,717</u>	<u>\$7,003,661</u>

¹ Standard & Poor's

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

³ Reported at amortized cost

* 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, 2017

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 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, 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 2017. 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, 2017, was \$5.00 per \$1,000 of assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .50% (5.00 mills) of assessed value.

The assessed values of real and public utility tangible personal property upon which 2017 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property Tax	\$571,726,010
Public Utility Tangible Personal	<u>12,886,070</u>
Total Assessed Valuation	<u><u>\$584,612,080</u></u>

Property taxes receivable represent real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017. 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 2017 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

Real Estate Tax Abatements

The City provides tax incentives under one (1) program, the Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is information relevant to the disclosure of this program for the year ending December 31, 2017.

	<u>Total Amount of Taxes Abated For the year 2017</u>
<i>Community Reinvestment Area (CRA)</i>	
Retail/Financial	\$4,067
	<u>\$4,067</u>

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, 2017**

NOTE 6 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, intergovernmental receivables arising from shared revenues, special assessments, loans, interest, and utility and emergency medical service accounts.

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 2017:

Fund	Transfers In	Transfers Out
General Fund	\$24,276	\$922,470
Capital Improvement Fund	150,000	723,500
Nonmajor Governmental Funds	1,645,970	174,276
Total All Funds	<u>\$1,820,246</u>	<u>\$1,820,246</u>

Transfers out of the Capital Improvement Fund were for debt service payments. Transfers out of nonmajor governmental funds were for the City’s match for street construction projects, FEMA reimbursements for a City employee who assisted with Hurricane Matthew recovery efforts, and reimbursements from the Tax Increment Financing Fund for development improvements. 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, 2017 were as follows:

	Interfund Loans Receivable	Interfund Loans Payable
Capital Improvement Fund	\$153,738	\$0
Nonmajor Governmental Funds	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, 2017

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2017:

<i>Historical Cost:</i>	Restated December 31, 2016	Additions	Deletions	December 31, 2017
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$8,224,837	\$0	\$0	\$8,224,837
Construction in Progress	1,155,316	1,882,534	(998,387)	2,039,463
	<u>9,380,153</u>	<u>1,882,534</u>	<u>(998,387)</u>	<u>10,264,300</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	2,090,259	10,905	0	2,101,164
Buildings	22,908,498	7,347	0	22,915,845
Infrastructure	40,683,587	2,504,777	0	43,188,364
Equipment and Furniture	6,249,556	423,123	(109,451)	6,563,228
Vehicles	5,697,456	1,363,481	(540,376)	6,520,561
Total Cost	<u>\$87,009,509</u>	<u>\$6,192,167</u>	<u>(\$1,648,214)</u>	<u>\$91,553,462</u>
<i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2016	Additions	Deletions	December 31, 2017
Land Improvements	(\$1,947,412)	(\$30,559)	\$0	(\$1,977,971)
Buildings	(12,005,723)	(561,544)	0	(12,567,267)
Infrastructure	(25,347,081)	(1,264,859)	0	(26,611,940)
Equipment and Furniture	(3,699,611)	(437,837)	109,451	(4,027,997)
Vehicles	(3,202,262)	(481,991)	532,234	(3,152,019)
Total Depreciation	<u>(\$46,202,089)</u>	<u>(\$2,776,790) *</u>	<u>\$641,685</u>	<u>(\$48,337,194)</u>
<i>Net Value:</i>	<u>\$40,807,420</u>			<u>\$43,216,268</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$618,381
Leisure Time Activities	517,125
Community Environment	313
Transportation	1,404,803
General Government	236,168
Total Depreciation Expense	<u>\$2,776,790</u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017

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

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$888,586 for 2017. Of this amount, \$153,966 is reported as an intergovernmental payable.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 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, 2017

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>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,497,060 for 2017. Of this amount, \$278,141 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, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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	\$11,307,168	\$19,649,242	\$30,956,410
Proportion of the Net Pension Liability-2017	0.049793%	0.310223%	
Proportion of the Net Pension Liability-2016	0.051182%	0.321738%	
Percentage Change	<u>(0.001389%)</u>	<u>(0.011515%)</u>	
Pension Expense	\$2,303,570	\$2,332,079	\$4,635,649

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,683,898	\$1,910,801	\$3,594,699
Changes in assumptions	1,793,455	0	1,793,455
Differences between expected and actual experience	15,326	5,559	20,885
City contributions subsequent to the measurement date	888,586	1,497,060	2,385,646
Total Deferred Outflows of Resources	<u>\$4,381,265</u>	<u>\$3,413,420</u>	<u>\$7,794,685</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$67,294	\$45,239	\$112,533
Change in proportionate share	168,746	520,236	688,982
Total Deferred Inflows of Resources	<u>\$236,040</u>	<u>\$565,475</u>	<u>\$801,515</u>

\$2,385,646 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2018	\$1,312,842	\$623,112	\$1,935,954
2019	1,399,408	623,112	2,022,520
2020	593,748	449,952	1,043,700
2021	(49,359)	(232,232)	(281,591)
2022	0	(102,968)	(102,968)
2023	0	(10,091)	(10,091)
Total	<u>\$3,256,639</u>	<u>\$1,350,885</u>	<u>\$4,607,524</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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$17,274,223	\$11,307,168	\$6,334,678

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, 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, 2016, are presented below:

Valuation Date	January 1, 2016
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

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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2016 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

* 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.

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	\$26,170,463	\$19,649,242	\$14,122,420

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for 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 2016 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. 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 may be 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 2017, 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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

Each year, the OPERS Board 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 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS 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 for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$70,511, \$133,340 and \$135,782, respectively, which were equal to the required contributions for each year.

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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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 2017, 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, 2017, 2016, and 2015 were \$15,470, \$14,941 and \$14,927 for police and \$17,982, \$18,061 and \$17,307 for firefighters, respectively, which were equal to the required contributions for each year.

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017, 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	18,995	\$770,250
Vacation / Compensatory Time	27,081	938,342
Total	<u>46,076</u>	<u>\$1,708,592</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 2017, 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	63,580,377	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
Cyber	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, 2017

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 eleven 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 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 \$225,000, 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 \$15,118,385, 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 2017 was \$2,354,137. 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, 2017

NOTE 13 - LONG-TERM OBLIGATIONS

Detail of the changes in the long term liabilities of the City for the year ended December 31, 2017, were as follows:

	Balance December 31, 2016	Issued	(Retired)	Balance December 31, 2017	Amount Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2015 1.62% Various Purpose Refunding	\$3,780,000	\$0	(\$740,000)	\$3,040,000	\$740,000
2017 2.21% Various Purpose	0	3,960,000	(215,000)	3,745,000	220,000
Total General Obligation Bonds	<u>3,780,000</u>	<u>3,960,000</u>	<u>(955,000)</u>	<u>6,785,000</u>	<u>960,000</u>
Long Term Bond Anticipation Notes:					
1.40% Various Purpose	1,560,000	0	(1,560,000)	0	0
Total Long Term Bond Anticipation Notes	<u>1,560,000</u>	<u>0</u>	<u>(1,560,000)</u>	<u>0</u>	<u>0</u>
OPWC Loans:					
0.00% Old Worthington ADA Ramps	89,816	0	(11,716)	78,100	7,810
0.00% Kenyonbrook Sanitary Sewer	582,175	0	(30,640)	551,535	20,427
Total OPWC Loans	<u>671,991</u>	<u>0</u>	<u>(42,356)</u>	<u>629,635</u>	<u>28,237</u>
Capital Leases Payable	0	210,317	(45,594)	164,723	38,675
Net Pension Liability:					
Ohio Public Employees Retirement System	8,865,381	2,441,787	0	11,307,168	0
Ohio Police and Fire Pension Fund	20,697,616	0	(1,048,374)	19,649,242	0
Total Net Pension Liability	<u>29,562,997</u>	<u>2,441,787</u>	<u>(1,048,374)</u>	<u>30,956,410</u>	<u>0</u>
Compensated Absences	1,504,161	715,059	(510,628)	1,708,592	506,416
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$37,079,149</u>	<u>\$7,327,163</u>	<u>(\$4,161,952)</u>	<u>\$40,244,360</u>	<u>\$1,533,328</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.

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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, 2017, follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$960,000	\$132,012	\$28,237	\$0
2019	980,000	115,162	28,237	0
2020	1,005,000	97,930	28,237	0
2021	1,020,000	80,262	28,237	0
2022	250,000	62,322	28,237	0
2023-2027	1,350,000	225,754	141,185	0
2028-2032	1,220,000	68,512	102,136	0
2033-2037	0	0	102,135	0
2038-2042	0	0	102,135	0
2043-2045	0	0	40,859	0
Totals	<u>\$6,785,000</u>	<u>\$781,954</u>	<u>\$629,635</u>	<u>\$0</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, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$2,965,000 at December 31, 2017, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

CITY OF WORTHINGTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 14 - CAPITAL LEASES

The City leases a street sweeper under capital lease. The original cost of the asset and the related liability reported as Governmental Activities capital leases are reported on the Government – wide Statement of Net Position.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2018	\$45,594
2019	45,594
2020	45,594
2021	45,594
Minimum Lease Payments	<u>182,376</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(17,653)</u>
Present value of minimum lease payments	<u><u>\$164,723</u></u>

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CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 15 - CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at December 31, 2017:

<u>Project</u>	<u>Amount</u>
2014 New & Replacement	\$8,787
Service Facility Grit Pad Installation	10,000
Community Center North Locker Room	10,960
Municipal Building Window & Door Replacement	15,000
Pedestrian Hybrid Beacons	16,580
Granby Street Drainage Improvements	20,000
Fuel Dispensing System & Tank Farm Replacement Study	20,000
ODOT SR 161 Paving	21,108
Community Center Window Replacement	25,000
Upper Rush Run Stream Restoration	25,000
2015 Street Improvement Program	27,283
Community Center HVAC Improvement	28,507
Northbrook Relief Sewer Phase II	29,300
Michaela Subdivision SS Extension	30,000
Community Wayfinding	31,356
City Hall Roof Repairs	33,250
2016 New & Replacement	34,657
Fire Station Roof Replacement	35,400
Dog Park Parking Lot Addition	45,000
Old Worthington Street Lights	48,000
Southeast Sewershed Basin 6	50,263
Community Center Roof Replacement	54,316
Central District Sanitary Sewer Design & Repair	69,320
2016 Street Improvement Program	87,075
Huntley Road Arterial Improvements	96,609
Rt. 161 Traffic Study	150,000
2017 Street Improvement Program	159,676
North District Sewer Study	185,472
NE Gateway/Wilson Bridge/Huntley Design	208,349
2017 New & Replacement	573,507
2017 Central District Sanitary Sewer	607,164
Community Center South End Roof Replacement	720,423
	<u><u>\$ 3,477,362</u></u>

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 16 - 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, 2017, to December 31, 2017, the City received state and federal grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 – 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 18 – JOINT VENTURE

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

CITY OF WORTHINGTON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 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 operations. The principal operating revenues of the CIC are contributions from the City and investment income. The City of Worthington made \$230,000 of contributions toward CIC operations in 2017 for capital improvements. Operating expenses for the CIC included professional fees and services for Kilbourne Memorial Library Building improvements. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The CIC did not have any non-operating revenues or expenses in 2017.

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, 2017, the carrying amount of the CIC's deposits was in the amount of \$28,706. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2017, the entire bank balance was covered by the Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds held by the not-for-profit corporation.

E. Contributions from the City

The CIC received \$230,000 in contributions from the City of Worthington during the year 2017.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WORTHINGTON, OHIO

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

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.052367%	0.052367%	0.051182%	0.049793%
City's proportionate share of the net pension liability (asset)	\$6,173,387	\$6,316,045	\$8,865,381	\$11,307,168
City's covered-employee payroll	\$6,628,738	\$6,439,617	\$6,393,258	\$6,484,525
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.13%	98.08%	138.67%	174.37%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.320344%	0.320344%	0.321738%	0.310223%
City's proportionate share of the net pension liability (asset)	\$15,601,738	\$16,595,134	\$20,697,616	\$19,649,242
City's covered-employee payroll	\$7,143,963	\$6,315,026	\$6,460,034	\$6,620,503
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.39%	262.79%	320.39%	296.79%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

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

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

CITY OF WORTHINGTON, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$861,736	\$772,754	\$767,191	\$778,143	\$888,586
Contributions in relation to the contractually required contribution	<u>861,736</u>	<u>772,754</u>	<u>767,191</u>	<u>778,143</u>	<u>888,586</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$6,628,738	\$6,439,617	\$6,393,258	\$6,484,525	\$6,835,277
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$1,222,690	\$1,352,864	\$1,383,353	\$1,420,678	\$1,497,060
Contributions in relation to the contractually required contribution	<u>1,222,690</u>	<u>1,352,864</u>	<u>1,383,353</u>	<u>1,420,678</u>	<u>1,497,060</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$7,143,963	\$6,315,026	\$6,460,034	\$6,620,503	\$6,990,813
Contributions as a percentage of covered-employee payroll	17.12%	21.42%	21.41%	21.46%	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.