

## CITY OF WOOSTER, OHIO

### ANNUAL INFORMATION FILING FOR FISCAL YEAR 2011

The following provides, in accordance with the continuing disclosure agreements (the Continuing Disclosure Agreements) entered into by the City of Wooster, Ohio (the City), annual financial information and operating data for the City's fiscal year ended December 31, 2011 (Fiscal Year 2011), of the type included in the respective final official statements for its primary offerings of and issuances:

**\$1,950,000 Various Purpose Improvement Bonds, Series 1995**, dated as of September 1, 1995. Final Maturity December 1, 2020.

**\$7,975,000 Various Purpose Bonds, Series 2010**, dated October 13, 2010. Final Maturity December 1, 2030.

The applicable CUSIP number is 981083.

**The Annual Information Filing constitutes only the annual financial information and operating data agreed to be provided under the Continuing Disclosure Agreements entered into at the time of the primary offerings referenced above. No representation is made as to the materiality or completeness of that information. Other relevant information for Fiscal Year 2011 may exist, and matters may have occurred or become known during or since that period, which an investor would consider to be important when making an investment decision. Further, no representation is made that the Annual Information Filing is indicative of financial or operating results of the City since the end of Fiscal Year 2011 or future financial or operating results. Finally, the inclusion of certain information pertaining to post-Fiscal Year 2011 events, if any, is provided solely for convenience, and is not intended to suggest that other such information not so included is any less material or important to an investor.**

**July 31, 2012**

**CITY OF WOOSTER, OHIO**

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## INTRODUCTORY STATEMENT

The City entered into the Continuing Disclosure Agreements pursuant to SEC Rule 15c2-12 (the Rule) in connection with the primary offerings and issuances by the City of the bond issues identified on the cover page (collectively, the Bonds). The Continuing Disclosure Agreements require the City to provide annually financial information and operating data for its immediately preceding Fiscal Year of the type included in the final official statements for those offerings (collectively, the Official Statements). This Annual Information Filing provides such financial information and operating data for the City's Fiscal Year ended December 31, 2011.

All financial and other information in this Annual Information Filing has been provided by the City from its records, except for information expressly attributed to other sources. More complete information regarding laws, reports and documents referenced in this Annual Information Filing may be obtained by reviewing those laws, reports and documents. Subject to limited exceptions, records of the City are available for public inspection and copies may be obtained at cost upon request. Questions regarding information contained in this Annual Information Filing and requests for copies of documents should be directed to the Director of Finance of the City at the address shown on the cover. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or otherwise be predictive of future experience. The information and expressions of opinion herein are subject to change without notice. The delivery of this Annual Information Filing shall not, under any circumstances, give rise to any implication that the affairs of the City have not changed since the date of this Annual Information Filing.

As used in this Annual Information Filing:

- **“Council”** means the Council of the City.
- **“County”** means County of Wayne.
- **“County Auditor”** means the Auditor of the County.
- **“Debt charges”** means the principal (including any mandatory sinking fund deposits and mandatory redemption payments), interest and any redemption premium payable on the obligations referred to as those payments come due and are payable; debt charges may also be referred to as “debt service.”
- **“Fiscal Year”** means the 12-month period ending December 31, and reference to a particular Fiscal Year (such as “Fiscal Year 2011”) means the Fiscal Year ending on December 31 in that year.
- **“Revised Code”** means the Ohio Revised Code.
- **“State”** or **“Ohio”** means the State of Ohio.
- **“State Budget Act”** means Amended Substitute House Bill No. 153, passed by the Ohio General Assembly and signed by the Governor on June 30, 2011, providing State appropriations for its 2012-2013 biennium (beginning July 1, 2011 through June 30, 2013) and enacting other statutory provisions.

## AD VALOREM PROPERTY TAXES

### Assessed Valuation

The following table shows the recent assessed valuations of property subject to ad valorem taxes levied by the City.

Collection Year	Real(a)	Tangible Personal(b)(c)(d)	Public Utility(c)(d)	Total Assessed Valuation
2008	\$511,597,150	\$56,809,460	\$ 9,873,800	\$578,280,410
2009(e)	542,944,803	1,026,667	10,453,450	554,424,920
2010	542,960,450	684,444	11,242,050	554,886,944
2011	535,452,050	422,880	11,475,920	547,350,850
2012(f)	509,436,220	0	12,258,470	521,694,690

- (a) Other than real property of railroads. The real property of public utilities, other than railroads, is assessed by the County Auditor. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.
- (b) Other than public utility.
- (c) The State reduced the valuation of tangible personal property of general businesses and railroads in increments beginning in 2006 to zero in 2009 and reduced the valuation of tangible personal property of telecommunications companies in increments beginning in 2007 to zero in 2011; see the discussion of those reductions and related State makeup payments below.
- (d) Tangible personal property of all public utilities and real property of railroads; see footnotes (a), (b) and (c). Beginning in 2008, tangible personal property of telecommunications companies was reclassified from Public Utility to Tangible Personal.
- (e) Reflects sexennial reappraisal.
- (f) Reflects triennial adjustment.

Source: County Auditor.

Taxes collected on “Real” in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected on “Tangible Personal” in one calendar year were levied in the same calendar year on assessed values during and at the close of the taxpayer’s most recent fiscal year that ended on or before December 31 of the preceding calendar year, and at the tax rates determined in the preceding year. “Public Utility” (real and tangible personal) 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.

Pursuant to statutory requirements for sexennial reappraisals, in 2008 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. These adjustments were first reflected in the 2008 duplicate (collection year 2009) and in the ad valorem taxes distributed to the City in 2009 and thereafter. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values.

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its assessed value.

The taxation of all tangible personal property used in general businesses (excluding certain public utility tangible personal property) was phased out over tax years 2006 to 2009. Previously, machinery and equipment and furniture and fixtures were generally taxed at 25% of true

value, and inventory was taxed at 23%. The taxation of all tangible personal property used by telephone, telegraph or interexchange telecommunications companies (“telecommunications property”) was phased out over tax years 2007 to 2011. Previously, telecommunications property was taxed at 25% or 46% of true value (depending on the type of equipment and when it was placed into service). The percentages of true value of such property taxed have been, and are being, reduced to those set forth in the following table.

<b>Tax Year</b>	<b>General Business Property</b>	<b>Telecommunications Property</b>
2006	18.75%	(a)
2007	12.50	20.00%
2008	6.25	15.00
2009	0.00	10.00
2010	0.00	5.00
2011(b)	0.00	0.00

(a) 25% or 46%; see discussion above.

(b) And thereafter.

To compensate for tax revenue losses as the tangible personal property taxes have been phased out, the State in 2006 commenced making distributions to taxing subdivisions (such as the City) from revenue generated by the State’s commercial activity tax (the CAT). The CAT is levied annually on all persons or entities doing business in the State with taxable gross receipts from their business activities greater than \$150,000. The State Budget Act established new thresholds for municipalities to qualify for those distributions that reduce or eliminate the amount of that reimbursement related to: (a) “current expense levies” to zero for most municipalities and (b) “non-current expense levies” to 50% in Fiscal Year 2012, and 25% thereafter, of the amount received with respect to such levies in Fiscal Year 2010. Reimbursements for taxes levied for debt purposes within the ten-mill limitation or pursuant to a municipal charter (“unvoted debt levies”) are to continue at the same amount as received in Fiscal Year 2010 through Fiscal Year 2017; thereafter no such reimbursement will be made. The State’s reimbursement payment to the City for Fiscal Year 2011 was \$58,357.59.

The application of the CAT to certain types of business receipts has been the subject of litigation. On September 17, 2009, the Ohio Supreme Court held that the CAT is not an excise tax “upon the sale or purchase of food” and does not violate the State’s constitutional prohibitions against such a tax. On July 26, 2011, an Ohio appellate court held that the CAT “is not a tax upon motor vehicle fuel” and, thus, upheld the constitutionality of the application of the CAT to gross receipts from the sales of motor fuels. This decision has been appealed to the Ohio Supreme Court.

Public utility tangible personal property (with some exceptions) is currently assessed (depending on the type of property) from 25% to 88% of true value. Effective for collection year 2002, the assessed valuation of electric utility production equipment was reduced from 100% and natural gas utility property from 88% of true value, both to 25% of true value. The City has been receiving reimbursement payments from the State to compensate for tax revenue losses as a result of those reductions. The State Budget Act reduces the amount of those payments in generally the same manner as described above for reimbursements from the CAT, except that reimbursement payments related to unvoted debt levies would end after Fiscal Year 2016. The State’s reimbursement payment to the City for Fiscal Year 2011 was \$34,078.21.

As indicated herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class. These tax credits apply only to certain voted levies on real property, and they do not apply to unvoted levies or to voted levies to provide a specified dollar amount or to pay debt charges on general obligation debt. These credits are discussed further following **Tax Table A**.

### Tax Rates

All references to tax rates under this caption are in terms of stated rates in mills per \$1.00 of assessed valuation.

The following are the rates at which the City and overlapping taxing subdivisions have in recent years levied ad valorem property taxes.

**TAX TABLE A**  
**Overlapping Tax Rates**

Collection Year	City	County(a)	Wayne County JVSD	Library	Mental Health District	Wooster City School District	Total
2007	4.20	9.65	4.10	1.25	1.00	72.30	92.50
2008	4.20	9.65	4.85	1.25	1.00	72.30	93.25
2009	4.20	9.65	4.85	1.25	1.00	71.60	92.55
2010	4.20	9.65	4.85	1.25	1.00	71.60	92.55
2011	4.20	9.25	4.85	1.25	1.00	78.70	99.25

(a) Includes levies for the County Board of Developmental Disabilities and County Health District.

Source: County Auditor.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both:

- the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year; and
- amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

As noted above, all of the City’s property tax levies, as levies inside the ten-mill limitation, are exempt from those tax credit provisions. The tax credit provisions do not apply to amounts realized from taxes levied at whatever rate is required to produce a specified amount or an amount to pay debt charges on voted general obligations, or from taxes levied inside the ten-mill limitation or any applicable charter tax rate limitation. To calculate the limited amount to be realized, a reduction factor is applied to the stated rates of the levies subject to these tax credits. A resulting “effective tax rate” reflects the aggregate of those reductions, and is the rate based on which real property taxes are in fact collected. As an example, the total overlapping tax rate for the 2011 tax collection year of 99.25 mills within the City (in that portion with the overlapping subdivisions identified in **Tax Table A**) is reduced by reduction factors of 0.376092 for

residential/agricultural property and 0.284727 for all other real property, which results in “effective tax rates” of 61.922892 mills for residential/agricultural property and 70.990858 mills for all other real property. See **Tax Table A**.

Residential and agricultural real property tax amounts are generally further reduced by an additional 10% (12.5% in the case of owner-occupied residential property). See **Collections** for a discussion of the reimbursement by the State for this reduction.

The following are the rates at which the City levied property taxes for the general categories of purposes for the years shown, inside ten-mill limitation. The City does not currently levy any taxes outside the ten-mill limitation.

**TAX TABLE B  
City Tax Rates**

**Inside the Limitation**

<b>Collection Year</b>	<b>Operating</b>	<b>Police and Fire Pension</b>	<b>Total</b>
2007	3.60	0.60	4.20
2008	3.60	0.60	4.20
2009	3.60	0.60	4.20
2010	3.60	0.60	4.20
2011	3.60	0.60	4.20

See the discussion of the ten-mill limitation, and the priority of claim on that millage for debt charges on unvoted general obligation debt, under **Indirect Debt and Unvoted Property Tax Limitations**.

**Collections**

The following are the amounts billed and collected for City ad valorem property taxes for the tax collection years shown.

*Real and Public Utility*

<b>Collection Year</b>	<b>Current Billed</b>	<b>Current Collected</b>	<b>Current % Collected</b>	<b>Delinquent</b>	
				<b>Current</b>	<b>Accumulated</b>
2007	\$2,461,832	\$2,105,629	86%	\$116,013	\$149,766
2008	2,683,831	2,500,095	93	151,340	80,913
2009	2,657,155	2,238,980	84	130,293	277,070
2010	2,474,975	2,230,567	90	93,420	136,960
2011	2,552,622	2,451,240	96	76,251	84,285

***Tangible Personal Property***

Collection Year	Current Billed	Current Collected	Current % Collected	Delinquent	
				Current	Accumulated
2007	\$276,900	\$256,011	92%	\$20,598	\$14,162
2008	152,349	122,481	80	17,174	12,321
2009	31,470	9,652	30	68	22,745
2010	17,008	2,621	15	0	14,469
2011	0	0	0	0	1,163

Source: County Auditor.

Included in the “Billed” and “Collected” figures above are payments made from State revenue sources under two statewide real property tax relief programs (which do not apply to special assessments). Homestead exemptions are available for persons over 65 and the disabled. Payments to taxing subdivisions have been made in amounts equal to approximately 10% (12.5% with respect to owner occupied residential property) of all ad valorem real property taxes levied, thereby reducing the tax obligations of real property owners in any given year by the applicable 10% or 12.5%. This State assistance reflected in the City’s tax collections for 2011 was \$66,832 for the elderly/disabled homestead payment and \$176,689 for the rollback payment.

State legislation first effective with respect to tax bills payable in 2008 has provided for an expansion of the homestead property tax exemption. Under that legislation, an Ohio resident homeowner who (a) is at least 65 years old, (b) is totally and permanently disabled or (c) (i) is the surviving spouse of a person who was receiving the previous homestead exemption at the time of death and (ii) was at least 59 years old on the date of death of his or her spouse, may apply to exempt \$25,000 of the market value of the home from all local property taxes. This exemption commenced with tax bills payable in calendar year 2008. Local governments, such as the City, and school districts are to receive payments from the State to make up for the property tax loss due to this expanded exemption.

Real property taxes are payable in two installments, the first usually by February and the second in July.

**Special Assessments**

The City regularly conducts residential and other street improvements, which can include paving, resurfacing, draining, planting shade trees and constructing curbs, sidewalks, storm sewers, sanitary sewers and water lines. The cost of these improvements is paid in part from special assessments levied against the property benefiting from those improvements; the remaining cost is paid by the City. Unless all of the benefiting property owners petition to pay all costs, State law requires the City to pay at least 2% (plus the cost associated with intersections) of the total cost of the improvements.

Owners of benefiting properties may commence a street improvement project by filing a petition with City Council requesting the improvement. Alternatively, Council, with a three-quarter majority, may by resolution declare the necessity for such an improvement. The special assessment proceedings provide for notice to property owners and an opportunity for property owners to object to the special assessments. At the commencement of construction of the improvement, bond anticipation notes are issued to pay the project cost. Following completion of the work and determination of final costs, the special assessments are levied by Council against the benefiting property. Special assessments not paid within 30 days are certified to the County Auditor for collection over a period of time (usually 10 to 20 years for most projects). Special assessments are

billed by the County Auditor and collected by the County Treasurer along with and at the same time as real property taxes. The real property taxes levied on any property against which special assessments have been levied are not to be paid unless those special assessments are also paid.

Bonds are issued in anticipation of the collection of the special assessments to refund (together with any cash payments of special assessments) those notes. The special assessments certified for collection bear the same interest as the bonds. Under State law, those bonds are to be paid from the anticipated special assessments, but they are also general obligations of the City, payable from ad valorem property taxes to the extent not paid from those special assessments. See **City Debt and Other Long-Term Obligations – Statutory Direct Debt Limitations, Indirect Debt and Unvoted Property Tax Limitations** and **Debt Tables A and B**. The City has never been required to levy an ad valorem property tax for debt charges on bonds issued in anticipation of the collection of special assessments because special assessments have been collected as required and sufficient balances have been available in the Bond Retirement Fund to cover any temporary shortfall.

The following are the amounts billed and collected for City special assessments for the tax collection years shown.

Collection Year	Current Billed	Current Collected	Current % Collected	Delinquent	
				Current	Accumulated
2007	\$490,247	\$403,934	82%	\$63,065	\$29,302
2008	571,519	431,714	76	93,836	56,186
2009	496,414	361,872	72	42,600	64,949
2010	605,221	461,034	76	110,994	43,666
2011	648,438	412,687	64	139,010	108,912

Source: County Auditor.

### Delinquencies

Of the 11,477 nonexempt parcels in the City for collection year 2011, the number of delinquent parcels was 535, against six of which foreclosure proceedings were commenced.

There is no one taxpayer that accounts for more than 5% of any of the delinquencies of ad valorem real property taxes or special assessments identified above for tax collection year 2011.

### MUNICIPAL INCOME TAX

Ohio law authorizes a city or village to levy a municipal income tax on both business income and employee wages and salaries at a rate of up to 1% without voter authorization. An income tax rate in excess of 1% requires approval by the voters. The City, pursuant to Council action, currently levies the tax at a rate of 1%. This tax on business income and individuals' salaries and wages is collected and administered by the City. Residents are permitted, as a credit against their City income tax liability, up to a maximum of 100% of the tax paid as municipal income tax on the same income in another municipal corporation.

The tax is in effect for a continuing period of time. It could be reduced or terminated by action of the Council, or by vote of the electors initiated by petition of 10% of the number of electors of the City who voted for governor at the last preceding election, following initiated ordinance procedures, or 10% of the electors of the City who voted at the last preceding City

general election, following charter amendment procedures. Under current law, the Council could (unless restricted by a Charter provision) reimpose a 1% tax without authorization by the electors.

Income tax proceeds, after payment of collection expenses, have been allocated by the Council for Fiscal Year 2011 to the General Fund.

Annual income tax receipts (all at 1%) in recent years were:

<b>Year</b>	<b>Receipts</b>
2007	\$9,821,535
2008	9,131,495
2009	8,414,855
2010	8,795,369
2011	9,425,474

Based on employer payments of corporate and withheld personal income taxes, LuK USA, LLC contributed through those taxes 7.8% of the City income tax collected in Fiscal Year 2011. No other employer contributed more than 5% of the City income tax collected in Fiscal Year 2011.

Certain of the income subject to the City income tax is also subject to the State income tax.

#### **STATE LOCAL GOVERNMENT ASSISTANCE FUNDS**

Statutory state level local government assistance funds, comprised of designated State revenues, are another source of revenue to the General Fund. Most are distributed to each county and then allocated on a formula basis, or in some cases on an agreement basis, among the county and cities, villages and townships, and in some cases park districts, in the county. City receipts from those funds are set forth in the following table.

<b>Year</b>	<b>Receipts</b>
2007	\$1,452,351
2008	1,433,584
2009	1,249,380
2010	1,232,744
2011	1,227,761

The amounts of and formula for distribution of these funds have been and may be revised from time to time. In particular and as an example, the State Budget Act limits allocations to the local government assistance fund to (1) 75% of the amount provided for the period July 1, 2010 to June 30, 2011 (State Fiscal Year 2011) plus \$49.2 million for the period August 2011 through June 2012 and (2) 50% of the amount provided in State Fiscal Year 2011 for the period July 2012 through June 2013 (State Fiscal Year 2013).

#### **ESTATE TAXES**

The State also distributes significant portions of the State estate tax to decedents' communities of residence. Due to the nature of this tax, the annual amounts received can vary significantly. The City received \$1,038,897 and \$907,281 from this source in 2010 and 2011. The City credits these distributions to its General Fund. Due to the difficulty of predicting the amount of

receipts from the estate tax, the Director of Finance estimated the receipt of \$500,000 from that source for budgeting purposes for Fiscal Year 2012. The State Budget Act eliminates the State estate tax for decedents dying on or after January 1, 2013.

## **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS**

The following describes the security for general obligation debt, applicable debt and ad valorem property tax limitations, and outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the City.

As used in the discussions that follow, the term BANs refers to notes issued in anticipation of the issuance of general obligation bonds.

Certain overlapping subdivisions also may issue voted and unvoted general obligation debt.

The City is not, and to the knowledge of current City officials has not in at least the last 25 years been in default in the payment of debt service on any of the bonds or notes on which the City is obligor. The City, however, makes no representation as to the existence of a condition of default resulting from a default by any private entity under any financing documents relating to industrial development or hospital revenue bonds for which the City was the issuer.

### **Security for General Obligation Debt; Bonds and BANs**

The following describes the security for City general obligation debt: bonds and bond anticipation notes (BANs).

**Voted Bonds.** The basic security for voted City general obligation bonds is the authorization by the electors for the City to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes, without limitation as to rate or amount, on all real and tangible personal property subject to ad valorem taxation by the City. These taxes are outside of the ten-mill limitation and are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on the voted bonds (subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion).

As of December 31, 2011, the City had no voted general obligation bonds outstanding.

**Unvoted Bonds.** The basic security for unvoted City general obligation bonds is the City's ability to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the City, within the ten-mill limitation described below. These taxes are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on unvoted general obligation bonds. The law provides that the levy necessary for debt charges has priority over any levy for other purposes within that tax limitation; that priority may be subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion. See the discussion under **Indirect Debt and Unvoted Property Tax Limitations** of the ten-mill limitation, and the priority of claim on it for debt charges on unvoted general obligation debt of the City and all overlapping taxing subdivisions.

As of December 31, 2011, the City had \$8,841,000 of unvoted general obligation bonds outstanding.

**BANs.** While BANs are outstanding, Ohio law requires the levy of an ad valorem property tax in an amount not less than what would have been levied if bonds had been issued without the prior issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months from the date of issuance of the original notes (the maximum maturity for special assessment BANs is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated. Portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

As of December 31, 2011, the City had no outstanding BANs.

### **Statutory Direct Debt Limitations**

The Revised Code provides:

- The net principal amount of both voted and unvoted debt of a city, excluding “exempt debt” (discussed below), may not exceed 10-1/2% of the total tax valuation of all property in the city as listed and assessed for taxation.
- The net principal amount of the unvoted nonexempt debt of a city may not exceed 5-1/2% of that valuation.

These two limitations, which are referred to as the “direct debt limitations,” may be amended from time to time by the General Assembly.

The City’s ability to incur unvoted debt (whether or not exempt from the direct debt limitations) also is restricted by the indirect debt limitation discussed below under **Indirect Debt and Unvoted Property Tax Limitations**.

Certain debt that the City may issue is exempt from the direct debt limitations (exempt debt). Exempt debt includes, among others, the following categories.

- General obligation debt:
  - That is “self supporting” (*i.e.*, nontax revenues from the facility or category of facilities are sufficient to pay operating and maintenance expenses and related debt charges and other requirements) issued for facilities for city utility systems, airports, railroads, mass transit systems, parking, health care, solid waste, urban development, recreation, sports, convention, museum and other public attractions, natural resource exploration, development, recovery, use or sale, correctional and other related rehabilitation.
  - To the extent debt charges are expected to be paid from tax increment financing payments in lieu of taxes pledged to the payment of those debt charges (subject to certain limitations).
  - For highway improvements if the municipality has covenanted to pay debt charges and financing costs from distributions of motor vehicle license and fuel taxes.
  - In anticipation of the levy or collection of special assessments.
  - To pay final judgments or court-approved settlements.

- Securities issued to improve water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay to the City amounts equal to debt charges on those securities.
- Unvoted general obligation bonds to the extent that debt charges will be met from payments in lieu of taxes or from lawfully available municipal income taxes, to be applied to that debt charges pursuant to ordinance covenants.
- Revenue debt and mortgage revenue bonds to finance municipal utilities.
- Notes issued in anticipation of (i) the collection of current revenues (which have a latest maturity of the last day of the Fiscal Year in which issued) or (ii) the proceeds of a specific tax levy.
- Notes issued for certain energy conservation improvements or certain emergency purposes.
- Debt issued in anticipation of the receipt of federal or State grants for permanent improvements, or to evidence loans from the State capital improvements fund or State infrastructure bank.
- Voted debt for urban redevelopment purposes not in excess of 2% of the City's assessed valuation.
- Debt issued to make a single payment on certain accrued liability to the statewide Police and Fire Pension Fund.
- Debt issued for municipal educational and cultural facilities and sports facilities.

BANs issued in anticipation of exempt bonds also are exempt debt.

The City may incur debt for operating purposes, such as current tax revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount in a city's bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Without consideration of amounts in the City's Bond Retirement Fund, and based on outstanding debt and current tax (assessed) valuation, the City's voted and unvoted nonexempt debt capacities as of December 31, 2011 were:

<b>Limitation</b>	<b>Nonexempt Debt Outstanding</b>	<b>Additional Debt Capacity Within Limitation</b>
10-1/2% = \$54,777,942	\$3,642,981	\$51,134,961
5-1/2% = \$28,693,207	\$3,642,981	\$25,050,226

This is further detailed in **Debt Table A**.

### **Indirect Debt and Unvoted Property Tax Limitations**

Voted general obligation debt may be issued by the City if authorized by vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt charges on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds.

General obligation debt also may be issued by the City without a vote of the electors. This unvoted debt may not be issued unless the ad valorem property tax for the payment of debt charges on those bonds (or the bonds in anticipation of which BANs are issued), and all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the

combination of overlapping taxing subdivisions including the City resulting in the highest tax required for such debt charges, in any year is 10 mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the “ten-mill limitation,” is imposed by a combination of provisions of the Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by *all* overlapping taxing subdivisions without a vote of the electors. This 10 mills is allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the City. For collection year 2011, the entire 10 mills was levied by the combination of the City and taxing subdivisions overlapping the City. The current allocation of the 10 mills (sometimes referred to as the “inside millage”) is as follows: 4.20 City, 2.00 County, and 3.80 Wooster City School District. That allocation has remained constant for at least the last five years.

Present Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt charges on its unvoted general obligation debt, unless provision has been made for that payment from other sources, with the balance usable for other purposes. To the extent this inside millage is required for debt charges of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt charges on a subdivision’s unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess reduces the amount of inside millage available to overlapping subdivisions. In the case of the City, however, a law applicable to all Ohio cities and villages requires that any lawfully available receipts from a municipal income tax or from voted property tax levies be allocated to pay debt charges on City unvoted debt before the formula allocations of the inside millage to overlapping subdivision can be invaded for that purpose.

In the case of BANs issued in anticipation of unvoted general obligation bonds, the highest estimate of annual debt charges for the anticipated bonds is used to calculate the millage required.

Revenue bonds and notes and mortgage revenue bonds are not included in debt subject to the indirect limitation because they are not general obligations of the City, and the full faith and credit and property taxing power of the City is not pledged for their payment.

The indirect limitation applies to all unvoted general obligation debt even if debt charges on some of it is expected to be paid in fact from municipal income taxes, special assessments, utility revenues or other sources.

As of December 31, 2011, the highest debt charges requirement in any year for all City debt subject to the ten-mill limitation was estimated to be \$933,057.45. That debt includes all unvoted general obligation bonds outstanding. The payment of those annual debt charges would require a levy of 1.7885 mills based on current assessed valuation.

As of December 31, 2011, the total millage theoretically required by the City, the Wooster City School District and the County (the only overlapping taxing subdivisions that had issued unvoted debt) for debt charges on their outstanding unvoted general obligation debt was estimated to be 2.5779 mills for Fiscal Year 2012, the year of the highest potential debt service. There thus remain 7.4221 mills within the ten-mill limitation that have yet to be allocated to debt charges and that are available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

## Debt Outstanding

The Debt Tables attached provide information concerning the City's outstanding debt represented by bonds and notes, with respect to City and overlapping subdivision general obligation debt allocations, and debt charges.

The following table shows the principal amount of City general obligation debt outstanding as of December 31 (all unvoted) in the years shown.

Year	Exempt	Total
2007	\$3,074,335	\$10,810,000
2008	4,031,357	12,262,000
2009	3,795,303	10,752,000
2010	5,845,671	9,755,000
2011	5,198,019	8,841,000

## Bond Anticipation Notes

As of December 31, 2011, none of the debt of the City was currently in the form of BANs. BANs may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the BANs, or available funds of the City, or a combination of these sources.

## Bond Retirement Fund

The Bond Retirement Fund is the fund from which the City pays debt charges on its general obligation debt, and into which money required to be applied to those payments is deposited. The following table is an unaudited summary of Bond Retirement Fund receipts and disbursements for the years shown.

Year	Receipts	Disbursements	December 31 Balance
2007	\$124,353	\$223,259	\$575,622
2008	278,080	219,231	634,471
2009	197,040	207,271	624,240
2010	307,396	227,149	704,487
2011	243,015	190,470	757,032

## Future Financings

The City plans to enter into an estimated \$265,000 of additional financings in Fiscal Year 2012 for improvements to its storm water collection system. This includes an estimated \$265,000, 0% loan from the Ohio Public Works Commission (OPWC) for the Market/Spruce Storm Sewer Line Replacement Project. In addition, the City plans to issue an estimated \$1,151,000 in special assessment bond anticipation notes to pay for the property owner's portion of the Akron Road Reconstruction Project – Phase 1 (\$391,000) and the Melrose Drive Street Reconstruction Project (\$760,000). The City presently has no plans to enter into any other financings in Fiscal Year 2012. The City has no plans to issue any current revenue or tax anticipation notes.

## Long-Term Financial Obligations Other Than Bonds and Notes

The City has entered into loan agreements with the Ohio Water Development Authority (OWDA) for the financing of improvements to its wastewater treatment plant, under which, according to the OWDA and at December 31, 2011, there is an aggregate outstanding principal balance due of approximately \$14.26 million. Payments on those loans are required to be made from City wastewater system revenues after payment of operation and maintenance expenses of that system.

The City has entered into loan agreements with the OWDA for the financing of improvements to its water system, under which, according to the OWDA and at December 31, 2011, there is an aggregate outstanding principal balance due of approximately \$2.6 million. Payments on those loans are required to be made from City water system revenues after payment of operation and maintenance expenses of that system.

Those loan agreements with the OWDA grant no security or property interest to OWDA in any property of the City, and do not pledge the general credit of the City, or create a debt subject to the direct or indirect debt limitations, or require the application of the general resources of the City for repayment.

For information regarding “compensated absences” and certain other long-term financial obligations of the City, including several 0% loans from the OPWC, see **Notes** to the City’s Unaudited Basic Financial Statements for Fiscal Year 2011 included in **Appendix D**.

The City has no other significant long term financial obligations, other than the bonds described above and certain lease purchase contracts for photocopying and general office equipment.

## Retirement Expenses

Present and retired employees of the City are covered under two statewide public employee retirement (including disability retirement) systems. The Ohio Police and Fire Pension Fund (OP&F) covers uniformed members of the police and fire departments. All other eligible City employees are covered by the Ohio Public Employees Retirement System (OPERS).

Employees covered by OPERS contributed at a statutory rate of 10.0% of earnable salary. As the employer, the City’s statutory contribution rate for those employees was 14.0% of the same base. In 2011, employees covered by OP&F contributed at a statutory rate of 10.0% of earnable salary. As the employer, the City’s statutory contribution rates, applied to the same base, were 19.5% for police personnel and 24.0% for fire personnel. These employee and employer contribution rates are the maximums permitted under current State law.

City employees are not currently subject to federal and state income tax on their contributions to OPERS or OP&F because the City has adopted a “pick-up” program pursuant to federal income tax law. The pick-up program is a “salary reduction” program which does not cause the City to incur additional pension or wage related expenses.

For further information on these pension plans, see the **Notes** to the Unaudited Basic Financial Statements included in **Appendix D**. Financial and other information for OPERS and OP&F can also be found on the respective website for each retirement system including its Comprehensive Annual Financial Report.

OPERS and OP&F are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend (and in the past has amended)

the format of those systems and could revise rates or methods of contributions to be made by the City and its employees to OPERS and/or OP&F and could also revise benefits or benefit levels. As an example, legislation has been introduced in the current session of the General Assembly proposing certain changes to the statewide public retirement systems, including OPERS and OP&F. If enacted, this legislation would, depending on the retirement system, increase minimum retirement age and service requirements, reduce certain benefits, require increased employee contributions and decreased employer contributions and make other changes. The City cannot predict whether, when or in what form this or other legislation will be enacted into law. The City's obligation to contribute to OPERS and OP&F, however, is currently limited as described above, including with respect to their unfunded actuarial accrued liabilities.

The City's current employer contributions to OPERS and OP&F have been treated as current expenses and included in the City's operating expenditures, except to the extent paid from the proceeds of the "Police and Fire Pension" levy referred to under **Tax Rates**.

Federal law requires City employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, City employees who are covered by a State retirement system are not currently covered under the federal Social Security Act. OPERS and OP&F are not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

### **Health Insurance**

All City employees are provided a traditional health care insurance plan that covers hospitalization and major medical expenses within specified limits. The plan is self-funded by the City and administered by a third-party administrator. The City pays the administrator a monthly fixed fee for various claim administration services on a per enrolled employee basis. All claims are paid by the City. The third-party administrator submits weekly preliminary check registers for all processed claims. The City issues payment to the plan administrator who in turn issues individual claim checks. The City carries specific stop-loss and adequate stop-loss insurance against catastrophic losses (an annual stop loss limit of \$75,000 per employee, and \$2,599,342 in the aggregate). The premium for these coverages are billed monthly to the City by the third-party administrator on a per enrolled employee basis.

**DEBT TABLE A**

**Principal Amounts of Outstanding General Obligation (GO) Debt;  
Leeway for Additional Debt Within Direct Debt Limitations  
(as of December 31, 2011)**

A.	Total debt:		\$ 8,841,000
B.	Exempt debt:		
	Category	Outstanding Principal Amount	
	Special Assessment	\$1,347,919	
	Water System	\$2,795,100	
	Storm Drainage System	\$1,055,000	
	Total exempt debt:		\$ 5,198,019
C.	Total nonexempt debt [A minus B]		\$ 3,642,981
D.	5-1/2% of tax (assessed) valuation (unvoted nonexempt debt limitation):		\$28,693,207
E.	Total nonexempt limited tax bonds and notes outstanding:		
	Bonds	\$3,642,981	
	Notes	\$ -0-	\$ 3,642,981
F.	Debt leeway within 5-1/2% unvoted debt limitation [D minus E]		\$25,050,226*
G.	10-1/2% of tax (assessed) valuation (voted and unvoted debt limitation):		\$54,777,942
H.	Total nonexempt bonds and notes outstanding:		
	Bonds	\$3,642,981	
	Notes	\$ -0-	\$ 3,642,981
I.	Debt leeway within 10-1/2% debt limitation [G minus H]		\$51,134,961*

\* Debt leeway in this table determined without considering money in the Bond Retirement Fund.

**DEBT TABLE B**

**Various City and Overlapping  
GO Debt Allocations (Principal Amounts)  
(as of December 31, 2011)**

	<b>Amount</b>	<b>Per Capita(a)</b>	<b>% of City's Current Assessed Valuation(b)</b>
City Nonexempt GO Debt	\$5,198,019	\$199.01	0.97%
Total City GO Debt (exempt and non- exempt)	8,841,000	338.49	1.69
Highest Total Overlap- ping GO Debt(c)	23,740,693	908.94	4.55

(a) Based on 2010 City population of 26,119.

(b) Based on the City's then current assessed valuation of \$521,694,690.

(c) Includes, in addition to "Total City GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions resulting in the calculation of highest total overlapping debt based on percent of tax (assessed) valuation of territory of the subdivisions located within City (% figures are resulting percent of total debt of subdivisions allocated to City in this manner), as follows:

\$2,193,550 County (24.06%);  
\$11,758,993 Wooster City School District (84.12%); and  
\$947,150 Wayne Public Library District (19.94%).

Source of tax (assessed) valuation and confirmation of GO debt figures for overlapping subdivisions: OMAC\*

\* Ohio Municipal Advisory Council (OMAC) compiles information from official and other sources. OMAC believes the information it compiles is accurate and reliable, but OMAC does not independently confirm or verify the information and does not guaranty its accuracy. OMAC has not reviewed this Annual Information Filing to confirm that the information attributed to it is information provided by OMAC or for any other purpose.

## DEBT TABLE C

### Projected Debt Charges Requirements on City GO Debt (as of December 31, 2011)

Year	<u>Debt Charges on</u>		<u>Portion of Total Anticipated to be Paid from</u>			
	<u>Outstanding Bonds</u>	<u>Total</u>	<u>Limited Ad Valorem Taxes</u>	<u>Special Assessments</u>	<u>Water System Receipts</u>	<u>Storm Drainage System Receipts</u>
2012	\$933,057	\$933,057	\$390,881	\$142,097	\$231,679	\$168,400
2013	918,342	918,342	380,461	139,650	227,731	170,500
2014	914,530	914,530	380,841	139,806	226,383	167,500
2015	909,196	909,196	379,357	140,447	224,892	164,500
2016	914,277	914,277	378,189	141,388	228,200	166,500
2017	902,205	902,205	377,420	140,787	225,986	158,012
2018	902,279	902,279	373,950	140,716	228,350	159,263
2019	546,046	546,046	192,179	128,759	225,108	0
2020	549,117	549,117	193,545	129,243	226,329	0
2021	445,405	445,405	194,074	78,275	173,056	0
2022	441,998	441,998	194,402	78,290	169,306	0
2023	361,294	361,294	144,121	46,617	170,556	0
2024	362,700	362,700	144,474	46,732	171,494	0
2025	363,438	363,438	144,569	46,763	172,106	0
2026	368,850	368,850	148,319	47,975	172,556	0
2027	368,388	368,388	147,889	47,836	172,663	0
2028	367,188	367,188	147,171	47,604	172,413	0
2029	365,638	365,638	146,321	47,329	171,988	0
2030	368,313	368,313	148,946	48,179	171,188	0

## DEBT TABLE D

### Outstanding GO Bonds (as of December 31, 2011)

The following debt is reflected in **Debt Tables A, B and C.**

Issue	Bonds		Original Principal Amount	Outstanding Principal Amount
	Date of Issuance	Final Maturity		
<b>Various Purpose Improvement Bonds, Series 1995</b>	<b>9/21/95</b>	<b>2020</b>	<b>\$1,950,000</b>	<b>\$ 725,000</b>
Special Assessment				
Property Owners' Portion			1,245,955	349,900
City Portion (Water System)			704,045	375,100
<b>Street Improvement Bonds, Series 2007</b>	<b>9/27/07</b>	<b>2022</b>	<b>815,000</b>	<b>651,000</b>
Special Assessment				
Property Owners' Portion			321,460	256,774
City Portion			493,540	394,226
<b>Various Purpose Bonds, Series 2010</b>	<b>10/13/10</b>	<b>2030</b>	<b>7,975,000</b>	<b>7,465,000</b>
Refunding of Municipal Building Debt			1,040,000	915,000
Refunding of Storm Drainage Debt			1,200,000	1,055,000
Refunding of Water System Debt			2,510,000	2,420,000
Special Assessment				
Property Owners' Portion			776,543	741,245
City Portion			2,448,457	2,333,755

## APPENDIX A

### COMPARATIVE BALANCE SHEETS OF WATER FUND 2007 THROUGH 2011, COMPARATIVE STATEMENTS OF WATER FUND REVENUES, EXPENSES AND CHANGES IN NET ASSETS 2007 THROUGH 2011, AND COMPARATIVE STATEMENTS OF WATER FUND CASH FLOWS 2007 THROUGH 2011

City of Wooster, Ohio  
Water Fund  
Comparative Balance Sheets

	2007	2008	2009	2010	2011
<b>Assets</b>					
<b>Current Assets</b>					
Equity in city treasury cash	\$ 1,443,663	\$ 827,290	\$ 784,326	\$ 1,395,930	\$ 2,657,475
Receivables – net of allowances:					
Accounts	452,017	526,031	589,917	722,846	720,635
Accrued interest	53,862	48,177	44,173	42,901	39,670
Due from other governments	19,183	0	0	0	0
Inventory	91,133	116,117	116,061	116,061	51,570
<b>Total Current Assets</b>	<b>2,059,958</b>	<b>1,517,615</b>	<b>1,534,477</b>	<b>2,277,738</b>	<b>3,469,350</b>
<b>Net Capital Assets</b>	<b>23,861,394</b>	<b>25,228,146</b>	<b>26,389,075</b>	<b>25,482,412</b>	<b>24,894,568</b>
<b>Total Assets</b>	<b>25,921,252</b>	<b>26,745,761</b>	<b>27,923,552</b>	<b>27,760,150</b>	<b>28,363,918</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	84,115	564,528	96,135	164,389	121,463
Accrued salaries, wages and benefits	123,502	109,282	132,592	259,311	85,968
Current portion of long term debt	1,062,482	1,161,436	2,955,638	605,381	295,761
Accrued interest payable	21,914	32,662	79,856	74,048	65,006
Accrued plant closure costs	0	0	0	0	0
Current portion of compensated absences	159,186	88,012	86,507	69,007	62,871
<b>Total Current Liabilities</b>	<b>1,451,199</b>	<b>1,955,920</b>	<b>3,350,728</b>	<b>1,172,136</b>	<b>631,069</b>
<b>Noncurrent Liabilities</b>					
Long term debt	3,958,580	4,478,582	4,370,391	6,782,393	6,821,513
Compensated absences	127,415	230,165	248,949	152,253	188,686
<b>Total Noncurrent Liabilities</b>	<b>4,058,995</b>	<b>4,708,747</b>	<b>4,619,340</b>	<b>6,934,646</b>	<b>7,010,199</b>
<b>Total Liabilities</b>	<b>5,537,194</b>	<b>6,664,667</b>	<b>7,970,068</b>	<b>8,106,782</b>	<b>7,641,268</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	18,840,332	19,588,128	19,063,046	18,094,639	17,777,293
Restricted	0	0	0	0	0
Unrestricted	1,543,726	492,966	890,438	1,558,729	2,945,357
<b>Total Net Assets</b>	<b>20,384,058</b>	<b>20,081,094</b>	<b>19,953,484</b>	<b>19,653,368</b>	<b>20,722,650</b>
<b>Total Liabilities and Net Assets</b>	<b>\$25,921,252</b>	<b>\$26,745,761</b>	<b>\$27,923,552</b>	<b>\$27,760,150</b>	<b>\$28,363,918</b>

City of Wooster, Ohio  
Water Fund  
Comparative Statements of Revenues, Expenses and Changes in Net Assets

	2007	2008	2009	2010	2011
<b>Operating Revenues:</b>					
Charges for services	\$ 3,787,493	\$ 4,046,529	\$ 4,185,862	\$ 5,076,993	\$ 5,307,239
Interfund services provided	0	0	0	0	0
Miscellaneous	128,367	98,436	93,085	105,515	117,299
<b>Total operating revenues</b>	<b>3,915,860</b>	<b>4,144,965</b>	<b>4,278,947</b>	<b>5,182,508</b>	<b>5,424,538</b>
<b>Operating Expenses (Note A):</b>					
Personal services	1,569,085	1,763,382	1,863,516	1,880,923	1,550,840
Operations and Maintenance	1,093,276	1,223,511	1,207,129	1,138,504	1,274,470
Depreciation	990,725	1,055,553	1,080,790	1,097,687	1,081,646
Interfund Services used	238,581	263,576	304,806	360,486	290,236
<b>Total operating expenses</b>	<b>3,891,667</b>	<b>4,306,022</b>	<b>4,456,241</b>	<b>4,477,600</b>	<b>4,197,192</b>
<b>Operating income</b>	<b>24,193</b>	<b>(161,057)</b>	<b>(177,294)</b>	<b>704,908</b>	<b>1,227,346</b>
<b>Non-operating revenues (expenses):</b>					
Interest income and investment earnings	152,111	103,822	15,198	20,304	26,454
Other (net)	0	580	302,576	(127,068)	300
Interest expense	(278,192)	(246,309)	(268,091)	(256,918)	(210,495)
<b>Net non-operating revenues (expenses)</b>	<b>(126,081)</b>	<b>(141,907)</b>	<b>49,683</b>	<b>(363,682)</b>	<b>(183,741)</b>
<b>Income before contributions and transfers</b>	<b>(101,888)</b>	<b>(302,964)</b>	<b>(127,611)</b>	<b>341,226</b>	<b>1,043,605</b>
Change in estimated plant closure cost	0	0	0	0	0
Premium on debt issuances	0	0	0	16,708	0
Transfers	4,450	0	0	(710,000)	0
Capital Contributions	0	0	0	51,950	25,678
<b>Change in net assets</b>	<b>(97,438)</b>	<b>(302,964)</b>	<b>(127,611)</b>	<b>(300,116)</b>	<b>1,069,283</b>
<b>Total net assets at beginning of year</b>	<b>20,481,496</b>	<b>20,384,058</b>	<b>20,081,094</b>	<b>19,953,483</b>	<b>19,653,367</b>
<b>Total net assets at end of year</b>	<b>\$20,384,058</b>	<b>\$20,081,094</b>	<b>\$19,953,483</b>	<b>\$19,653,367</b>	<b>\$20,722,650</b>

Note A – Operations and maintenance expenses in 2007 include a portion of plant closure costs.

City of Wooster, Ohio  
Water Fund  
Comparative Statements of Cash Flows

	2007	2008	2009	2010	2011
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 3,823,324	\$ 3,972,515	\$ 4,121,976	\$ 4,944,064	\$ 5,309,450
Cash paid to suppliers	(1,195,576)	(768,082)	(1,675,466)	(1,430,736)	(1,543,141)
Cash paid to employees	(1,534,883)	(1,746,026)	(1,822,927)	(1,868,400)	(1,693,886)
Cash received from interfund services provided	0	0	0	0	0
Cash paid for internal services used	(238,581)	(263,576)	(304,806)	0	0
Other revenue (expense)	128,367	98,436	93,085	105,515	117,299
Net cash provided (used) by operating activities	982,651	1,293,267	411,862	1,750,443	2,189,722
<b>Cash flows from noncapital financing activities:</b>					
Grants	0	0	0	0	300
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from capital debt	63,216	1,690,296	4,569,199	5,700,000	302,200
Loss on disposal of capital assets	0	0	0	0	0
Capital contributions	0	0	302,576	0	25,677
Proceeds from sale of assets	0	581	0	0	0
Purchases of capital assets	(708,141)	(2,412,227)	(2,241,717)	(318,644)	(493,802)
Principal paid on capital debt	(1,016,172)	(1,062,236)	(2,883,157)	(5,638,255)	(572,700)
Interest paid on capital debt	(280,114)	(235,561)	(220,929)	(262,726)	(219,537)
Net cash (used) for capital and related financing activities	(1,941,211)	(2,019,147)	(474,028)	(519,625)	(958,162)
<b>Cash flows from investing activities:</b>					
Interest and dividends	151,311	109,507	19,202	21,576	34,617
Net cash provided by investing activities	151,311	109,507	19,202	21,576	34,617
<b>Cash flows from non-capital financing activities:</b>					
Insurance settlement proceeds	0	0	0	0	0
Capital contributions	0	0	0	51,950	0
Premium on debt issuance	0	0	0	16,708	0
Other income	0	0	0	552	0
Transfer out	0	0	0	(710,000)	0
Payment to close previous Water Treatment Plant	0	0	0	0	0
Operating subsidies	4,450	0	0	0	0
Net cash provided (used) by non-capital financing activities	4,450	0	0	(640,790)	0
Net increase (decrease) in cash and cash equivalents	(802,799)	(616,373)	(42,964)	611,604	1,261,545
Cash and cash equivalents at beginning of year	2,246,462	1,443,663	827,290	784,326	1,395,930
Cash and cash equivalents at end of year	1,443,663	827,290	784,326	1,395,930	2,657,475
<b>Noncash Investing, Capital and Financing Activities:</b>					
Acquisition of capital assets on account	0	0	0	0	0
<b>Reconciliation of operating income (loss) to net cash provided (used) by</b>					
Operating Income (loss)	24,193	(161,057)	(177,294)	704,908	1,227,346
Adjustments to reconcile operating income to net cash provided (used)					
Depreciation expense	990,724	1,055,553	1,080,790	1,097,687	1,081,646
Changes in assets and liabilities:					
Receivables – net of allowances	35,831	(74,014)	(63,886)	(132,929)	2,211
Inventory	(13,090)	(24,984)	56	0	64,491
Compensated absences payable	0	0	0	(114,196)	30,297
Prepaid expenses	0	0	0	0	0
Accounts and other payables	(89,209)	480,413	(468,393)	68,254	(42,926)
Accrued expenses	34,202	17,356	40,589	126,719	(173,343)
Net cash provided (used) by operating activities	\$ 982,651	\$ 1,293,267	\$ 411,862	\$ 1,750,443	2,189,722

## APPENDIX B

### COMPARATIVE BALANCE SHEETS OF GENERAL FUND 2007 THROUGH 2011

AND

### COMPARATIVE STATEMENTS OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES 2007 THROUGH 2011

City of Wooster, Ohio  
General Fund  
Comparative Balance Sheets

	2007	2008	2009	2010	2011
<b>Assets:</b>					
Equity in city treasury cash	\$ 13,102,745	\$ 11,361,486	\$ 9,893,689	\$ 8,368,686	11,165,028
Taxes receivable	3,744,533	3,281,576	3,580,907	3,595,790	4,006,004
Accounts receivable	241,196	38,770	38,692	33,240	203,800
Due from other governments	1,202,469	1,907,975	1,199,211	1,198,962	1,452,398
Due from other funds	69,700	486,237	1,500,000	1,891,442	100,000
Accrued interest receivable	139,546	96,457	81,398	45,339	0
Inventory	59,840	54,408	50,897	56,834	53,953
<b>Total assets</b>	<b>18,560,029</b>	<b>17,226,809</b>	<b>16,344,794</b>	<b>15,190,293</b>	<b>16,981,183</b>
<b>Liabilities:</b>					
Accounts payable	174,853	280,381	260,070	232,648	237,492
Accrued salaries, wages, and benefits	945,458	998,147	1,123,370	1,513,639	902,418
Compensated absences	0	0	0	0	0
Deferred revenue	3,448,229	3,654,122	3,370,143	3,911,779	4,250,323
<b>Total liabilities</b>	<b>4,568,540</b>	<b>4,932,650</b>	<b>4,753,583</b>	<b>5,658,066</b>	<b>5,390,233</b>
<b>Fund balances:</b>					
Reserved for encumbrances	2,569,889	2,592,872	2,771,167	2,347,652	2,702,135
Unreserved	11,421,600	9,701,387	8,820,044	7,184,575	8,888,815
<b>Total fund balances</b>	<b>13,991,489</b>	<b>12,294,259</b>	<b>11,591,211</b>	<b>9,532,227</b>	<b>11,590,950</b>
<b>Total liabilities and fund balances</b>	<b>\$18,560,029</b>	<b>\$17,226,909</b>	<b>\$16,344,794</b>	<b>\$15,190,293</b>	<b>16,981,183</b>

City of Wooster, Ohio  
 General Fund  
 Comparative Statements of Revenue, Expenditures, and Changes in Fund Balances

	2007	2008	2009	2010	2011
<b>Revenues:</b>					
Taxes	\$13,131,715	\$11,858,301	\$11,633,053	\$11,295,605	\$12,382,087
Intergovernmental	1,736,840	1,796,969	1,594,486	1,559,899	1,685,562
Charges for Services	1,254,071	1,275,498	1,356,638	1,299,700	1,493,695
Fines, licenses, permits	715,569	349,205	369,803	481,874	609,103
Interfund services provided	1,443,050	1,643,980	1,616,062	1,762,497	1,508,293
Interest income	736,882	575,151	168,843	162,474	102,644
Miscellaneous	290,913	319,138	362,441	253,143	144,363
<b>Total Revenues</b>	<b>19,309,040</b>	<b>17,818,242</b>	<b>17,101,326</b>	<b>16,815,192</b>	<b>17,925,747</b>
<b>Expenditures (Note A):</b>					
<b>Current operations:</b>					
Safety services	8,878,166	9,637,052	9,914,083	10,639,592	9,486,771
Health services	148,884	148,865	148,395	140,185	139,670
Leisure services	1,860,763	2,006,716	1,919,313	1,793,052	1,365,853
Environment and development	835,952	889,766	833,270	889,444	782,950
Utility services	0	0	0	0	0
Transportation services	1,188,595	1,283,459	1,329,985	1,510,868	968,766
Administrative services	3,221,718	3,524,050	3,268,646	3,681,702	2,889,589
Capital expenditures	0	0	0	0	0
<b>Debt service:</b>					
Principal	168,621	173,621	118,621	123,621	133,621
Interest	60,192	54,543	48,243	28,169	25,854
<b>Total Expenditures</b>	<b>16,362,891</b>	<b>17,718,072</b>	<b>17,580,556</b>	<b>18,806,633</b>	<b>15,793,074</b>
<b>Excess revenues over (under) expenditures</b>	<b>2,946,149</b>	<b>100,170</b>	<b>(479,230)</b>	<b>(1,991,441)</b>	<b>2,132,673</b>
<b>Other financing sources (uses):</b>					
Proceeds from debt issues	0	0	0	1,040,000	0
Premium on issuance of debt	0	0	0	25,680	0
Payment to refund bond escrow agt	0	0	0	(1,050,223)	0
Transfers in	0	0	24,200	0	0
Transfers (out) (Note B)	(1,431,473)	(1,797,400)	(248,019)	(83,000)	(73,950)
<b>Excess revenues and other sources over (under) expenditures and other uses</b>	<b>1,514,676</b>	<b>(1,697,230)</b>	<b>(703,049)</b>	<b>(2,058,984)</b>	<b>2,058,723</b>
<b>Fund balances at beginning of year as previously reported</b>	<b>12,476,812</b>	<b>13,991,488</b>	<b>12,294,259</b>	<b>11,591,211</b>	<b>9,532,227</b>
<b>Fund balances at end of year</b>	<b>\$13,996,488</b>	<b>\$12,294,259</b>	<b>\$11,591,211</b>	<b>\$ 9,532,227</b>	<b>\$ 11,590,950</b>

Note A — All transfers from the General Fund are to the Capital Improvement Fund, except that in Fiscal Year 2009 \$100,000 was transferred to the Economic Development Fund for the purpose of funding the City's economic development revolving loan fund program.

## APPENDIX C

### All Funds Summary 2011 (Cash Basis--Unaudited)

Fund	Beginning Balance	Receipts	Expenditures	Ending Balance
General	\$ 8,345,507.91	\$ 19,546,432.73	\$ 16,762,895.71	\$ 11,129,044.93
Street Construction Maintenance & Repair	1,085,047.28	1,117,711.98	1,014,101.65	1,188,657.61
State Highway	328,560.13	87,170.62	41,015.17	374,715.58
Permissive Tax	956,213.08	317,866.97	302,969.97	971,110.08
Enforcement and Education	42,059.62	6,305.85	28.47	48,337.00
Mandatory Drug Fines	13,441.49	10,961.65	7,194.38	17,208.76
Local Law Enforcement Block Grant	14.25	8.46	0.01	22.70
Community Development Block Grant	72,485.37	436,775.00	424,135.36	85,125.01
Economic Development	119,942.69	85,995.61	144,118.54	61,819.76
Law Enforcement Trust	44,692.28	2,194.35	27.61	46,859.02
Police Pension	225,411.34	185,311.01	360,783.77	49,938.58
Fire Pension	222,696.64	185,030.81	380,083.70	27,643.75
Federal Equitable Sharing	13,568.95	198.61	8.32	13,759.24
CDBG CHIP HOME RLF	12,817.61	4,293.48	10,177.05	6,934.04
Shade Tree Fund	1,357.33	23.45	0.83	1,379.95
Law Enforcement Training Fund	10,980.00	0.00	7,000.00	3,980.00
Lillian Long Estate	11,830.76	173.21	7.25	11,996.72
Christmas Run Park Restoration	27,681.63	414.86	16.97	28,079.52
Debt Service	1,250,574.39	445,548.10	393,673.02	1,302,449.47
Capital Improvements	1,856,430.05	1,526,924.51	2,461,357.61	921,996.95
Economic Development Capital Improvements	19,186.53	0.00	0.00	19,186.53
Beall Avenue Street Construction	281,187.38	17,350.25	290,218.45	8,319.18
State Capital Grants	.10	3,465,751.90	3,465,752.00	0.00
Milltown Road Reconstruction	0.00	0.00	0.00	0.00
Water Fund	1,317,316.37	6,063,444.37	4,729,347.66	2,651,413.08
Water Pollution Control	1,946,828.60	5,876,111.11	6,270,276.85	1,552,662.86
Wooster Community Hospital	8,524,766.94	101,093,460.48	98,555,488.75	11,062,738.67
Wooster Community Hospital Plant	66,425,227.93	9,984,744.37	6,092,254.98	70,317,717.32
Wooster Community Hospital Beaverson EMS	269,828.16	80,145.70	58,932.01	291,041.85
Wooster Community Hospital Endowment	1,011,502.60	153,690.93	74,183.65	1,091,009.88
Storm Drainage	939,417.40	1,189,519.19	1,021,392.64	1,107,543.95
CDBG Economic Development Loan	29,688.87	6,266.93	20.29	35,935.51
CDBG Downtown Loan	17,926.02	7,109.76	13.29	25,022.49
Wooster Community Hospital Bevington	53.21	0.67	0.03	53.85
Refuse Collection	401,473.09	1,547,060.87	1,445,512.43	503,021.53
Garage (Internal Service)	30,801.26	328,302.91	323,609.64	35,494.53
Employee Benefits	232,118.76	2,574,461.90	2,371,376.00	435,204.66
Guarantee Deposit	30,801.26	162,827.67	0.00	193,628.93
Clearing	14,749.63	35,859.97	38,890.97	11,718.63
Recreation Supplement	6,379.40	388.00	0.00	6,767.40
Wooster Growth Corporation	86,275.68	765,619.51	415,390.38	436,504.81
<b>Totals</b>	<b>\$96,226,841.99</b>	<b>\$157,311,457.75</b>	<b>\$147,462,255.41</b>	<b>\$106,076,044.33</b>

**APPENDIX D**

**Basic Financial Statements  
from the City's Financial Report for Fiscal Year 2011  
(Unaudited)**

**CITY OF WOOSTER, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Equity in city treasury cash	\$ 16,940,193	\$ 88,763,525	\$ 105,703,718
Net receivables	7,578,125	16,779,359	24,357,484
Inventory	344,145	1,525,291	1,869,436
Prepaid expenses	0	982,506	982,506
Total current assets	<u>24,862,463</u>	<u>108,050,681</u>	<u>132,913,144</u>
Noncurrent assets			
Net receivables	1,988,340	228,356	2,216,696
Capital assets (net of accumulated depreciation):			
Land	4,279,153	7,947,785	12,226,938
Buildings	2,288,292	52,912,692	55,200,984
Improvements/Infrastructure	35,702,795	57,009,697	92,712,492
Equipment	2,606,940	11,182,151	13,789,091
Construction in progress	2,790,656	2,407,929	5,198,585
Net capital assets	<u>47,667,836</u>	<u>131,460,254</u>	<u>179,128,090</u>
Total noncurrent assets	<u>49,656,176</u>	<u>131,688,610</u>	<u>181,344,786</u>
Total assets	<u>74,518,639</u>	<u>239,739,291</u>	<u>314,257,930</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	688,517	2,865,848	3,554,365
Accrued salaries, wages and benefits	915,797	4,517,456	5,433,253
Other accrued liabilities	694,007	3,303,911	3,997,918
Compensated absences, current	524,939	2,496,731	3,021,670
Current portion of long term bonds	279,075	327,332	606,407
Current portion special assessment debt with governmental commitment	87,546	0	87,546
Current portion long term loans	22,471	1,029,935	1,052,406
Unearned revenue	1,847,679	0	1,847,679
Total current liabilities	<u>5,060,031</u>	<u>14,541,213</u>	<u>19,601,244</u>
Noncurrent liabilities			
Bonds	3,064,323	4,562,838	7,627,161
Special assessment debt with governmental commitment	647,252	0	647,252
Loans	130,721	19,811,915	19,942,636
Compensated absences	1,588,968	1,451,882	3,040,850
Total noncurrent liabilities	<u>5,431,264</u>	<u>25,826,635</u>	<u>31,257,899</u>
Total liabilities	<u>10,491,295</u>	<u>40,367,848</u>	<u>50,859,143</u>
<b>NET ASSETS</b>			
Invested in capital assets , net of related debt	43,436,450	105,728,233	149,164,683
Restricted for:			
Capital projects	1,245,097	0	1,245,097
Debt service	3,064,341	0	3,064,341
Street construction and maintenance	1,874,741	0	1,874,741
Public works projects	1,691,212	0	1,691,212
Economic development projects	507,772	0	507,772
Other purposes	290,975	1,852,084	2,143,059
Unrestricted	11,916,755	91,791,126	103,707,881
Total net assets	<u>\$ 64,027,343</u>	<u>\$ 199,371,443</u>	<u>\$ 263,398,786</u>

See accompanying notes to the basic financial statements.

CITY OF WOOSTER, OHIO  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government					
<b>Governmental activities:</b>					
Safety services	\$ 10,564,667	\$ 1,094,548	\$ 895,377	\$ 106,401	\$ 0
Health and social services	136,364	0	0	0	0
Leisure services	1,527,771	262,377	429,829	45,999	0
Environment and development	1,172,772	33,752	165,890	321,340	0
Transportation services	2,876,972	214,373	172,550	1,439,334	2,224,896
Administrative services	3,192,626	(2,729,848)	457,144	7,500	0
Central services	185,751	(350,387)	0	0	0
Interest expense	158,936	0	0	0	0
Total governmental activities	<u>19,815,859</u>	<u>(1,475,185)</u>	<u>2,120,790</u>	<u>1,920,574</u>	<u>2,224,896</u>
<b>Business-type activities:</b>					
Wooster Community Hospital	104,047,276	0	106,719,035	216,685	0
Water	4,117,451	290,236	5,307,239	300	25,677
Water pollution control	4,755,425	1,010,666	4,906,467	0	13,381
Storm drainage	597,209	103,684	1,176,279	0	0
Refuse collection	1,337,007	70,599	1,454,606	47,181	0
Total business-type activities	<u>114,854,368</u>	<u>1,475,185</u>	<u>119,563,626</u>	<u>264,166</u>	<u>39,058</u>
Total primary government	<u>\$ 134,670,227</u>	<u>\$ 0</u>	<u>\$ 121,684,416</u>	<u>\$ 2,184,740</u>	<u>\$ 2,263,954</u>

**General revenues:**

Taxes:

City income taxes

Property taxes

Estate taxes

Other taxes

Grants and contributions

Interest and investment earnings

Miscellaneous

Total general revenues

Change in net assets before transfers

Transfers

Change in net assets

Net assets -- beginning of year

Net assets -- end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (10,657,437)	\$ 0	\$ (10,657,437)
(136,364)	0	(136,364)
(1,314,320)	0	(1,314,320)
(719,294)	0	(719,294)
745,435	0	745,435
1,866	0	1,866
164,636	0	164,636
(158,936)	0	(158,936)
<u>(12,074,414)</u>	<u>0</u>	<u>(12,074,414)</u>
0	2,888,444	2,888,444
0	925,529	925,529
0	(846,243)	(846,243)
0	475,386	475,386
0	94,181	94,181
<u>0</u>	<u>3,537,297</u>	<u>3,537,297</u>
<u>(12,074,414)</u>	<u>3,537,297</u>	<u>(8,537,117)</u>
9,670,667	0	9,670,667
2,181,978	0	2,181,978
1,279,657	0	1,279,657
188,835	0	188,835
1,519,463	0	1,519,463
286,128	906,751	1,192,879
189,107	229,142	418,249
<u>15,315,835</u>	<u>1,135,893</u>	<u>16,451,728</u>
3,241,421	4,673,190	7,914,611
<u>(200,000)</u>	<u>200,000</u>	<u>0</u>
3,041,421	4,873,190	7,914,611
<u>60,985,923</u>	<u>194,498,253</u>	<u>255,484,176</u>
<u>\$ 64,027,344</u>	<u>\$ 199,371,443</u>	<u>\$ 263,398,787</u>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in city treasury cash	\$ 11,165,028	\$ 1,306,649	\$ 3,968,968	\$ 16,440,645
Taxes receivable	4,006,004	0	288,491	4,294,495
Accounts receivable	203,800	0	44,677	248,477
Due from other governments	1,452,398	0	1,375,399	2,827,797
Due from other funds	100,000	0	0	100,000
Accrued interest receivable	0	0	2,463	2,463
Inventory	53,953	0	290,192	344,145
Long term receivables	0	0	131,502	131,502
Special assessments receivable	0	2,048,698	13,033	2,061,731
Total assets	<u>\$ 16,981,183</u>	<u>\$ 3,355,347</u>	<u>\$ 6,114,725</u>	<u>\$ 26,451,255</u>
<b>Liabilities:</b>				
Accounts payable	\$ 237,492	\$ 0	\$ 411,885	\$ 649,377
Accrued salaries, wages and benefits	902,418	0	2,122	904,540
Other accrued liabilities	0	549,617	0	549,617
Due to other funds	0	0	100,000	100,000
Deferred revenue	4,250,323	2,048,697	1,592,085	7,891,105
Total liabilities	<u>5,390,233</u>	<u>2,598,314</u>	<u>2,106,092</u>	<u>10,094,639</u>
<b>Fund balances:</b>				
Nonspendable	53,953	0	290,192	344,145
Restricted	0	757,033	3,049,048	3,806,081
Committed	0	0	151,878	151,878
Assigned	2,702,135	0	537,390	3,239,525
Unassigned	8,834,862	0	(19,875)	8,814,987
Total fund balances	<u>11,590,950</u>	<u>757,033</u>	<u>4,008,633</u>	<u>16,356,616</u>
Total liabilities and fund balances	<u>\$ 16,981,183</u>	<u>\$ 3,355,347</u>	<u>\$ 6,114,725</u>	<u>\$ 26,451,255</u>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2011**

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<b>Total Governmental Fund Balances</b>		\$ 16,356,616
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.**		47,663,145
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Special assessments receivable	\$ 2,061,730	
Delinquent property taxes receivable	123,053	
Due from other governments	2,610,642	
Accounts receivable	60,493	
Income tax receivable	<u>1,187,508</u>	6,043,426
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
Special assessment debt	(734,798)	
General obligation bonds	(3,343,398)	
Long term loans	(153,192)	
Compensated absences payable*	(2,070,742)	
Interest payable	<u>(11,163)</u>	(6,313,293)
Internal service fund is used to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.		265,661
Internal service fund costs spread to other governmental funds should not be included in fund net assets.		<u>11,789</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 64,027,344</u></u>

\*Excludes \$43,165 reported in Internal Service Funds.

\*\*Excludes \$4,619 reported in Internal Service Funds.

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues :</b>				
Taxes	\$ 12,382,087	\$ 0	\$ 542,049	\$ 12,924,136
Intergovernmental	1,685,562	0	3,055,603	4,741,165
Charges for services	1,493,695	0	410	1,494,105
Special assessments	0	223,910	0	223,910
Fines, licenses, permits	609,103	0	16,042	625,145
Interfund services provided	1,508,293	0	0	1,508,293
Interest income	102,644	19,105	90,836	212,585
Miscellaneous	144,363	0	53,786	198,149
<b>Total Revenues</b>	<b>17,925,747</b>	<b>243,015</b>	<b>3,758,726</b>	<b>21,927,488</b>
<b>Expenditures :</b>				
Current operations :				
Safety services	9,486,771	0	829,205	10,315,976
Health and social services	139,670	0	0	139,670
Leisure services	1,365,853	0	0	1,365,853
Environment and development	782,950	0	366,591	1,149,541
Transportation services	968,766	3,287	540,162	1,512,215
Administrative services	2,889,589	0	0	2,889,589
Capital expenditures	0	0	3,248,013	3,248,013
Debt service :				
Principal	133,621	117,565	115,157	366,343
Interest	25,854	69,618	63,466	158,938
<b>Total Expenditures</b>	<b>15,793,074</b>	<b>190,470</b>	<b>5,162,594</b>	<b>21,146,138</b>
<b>Excess revenues over(under) expenditures</b>	<b>2,132,673</b>	<b>52,545</b>	<b>(1,403,868)</b>	<b>781,350</b>
<b>Other financing sources (uses) :</b>				
Transfers in	0	0	73,950	73,950
Transfers (out)	(73,950)	0	0	(73,950)
<b>Total other financing sources (uses)</b>	<b>(73,950)</b>	<b>0</b>	<b>73,950</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>2,058,723</b>	<b>52,545</b>	<b>(1,329,918)</b>	<b>781,350</b>
Fund balances at beginning of year	9,532,227	704,488	5,338,551	15,575,266
<b>Fund balances at end of year</b>	<b>\$ 11,590,950</b>	<b>\$ 757,033</b>	<b>\$ 4,008,633</b>	<b>\$ 16,356,616</b>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, 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, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ 781,350

*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 asset  
 additions exceeded depreciation in the current period:

Capital Asset Additions	\$ 3,636,445	
Current Year Depreciation	<u>(2,818,395) *</u>	
Total		818,050

Revenues in the statement of activities that do not provide  
 current financial resources are not reported as revenues  
 in the funds:

Taxes	174,030	
Due from other governments	999,950	
Accounts	12,504	
Special assessment	<u>(219,310)</u>	
Total		967,174

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 governmental funds:

Decrease in bonds and loans payable	366,343	
Decrease in compensated absences	(57,802) **	
Decrease in accrued interest payable	<u>2,417</u>	
Total		310,958

The internal service fund used by management to charge the cost of  
 insurance to individual funds is not reported in the government-wide  
 statements of activities. Governmental fund expenditures and the related  
 internal service fund revenues are eliminated. The net revenue  
 (expense) of the internal service fund is allocated among the  
 governmental activities.

185,559

Internal service fund costs spread to other governmental funds  
 should not be included in fund net assets.

(21,670)

**Change in Net Assets of Governmental Activities**

\$ 3,041,421

\*\$429 depreciation for Internal Service fund not included

\*\*Excludes an increase of \$24,429 reported in the Internal Service Fund

**CITY OF WOOSTER, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**

	Business-type Activities			
	Wooster Community Hospital	Water	Water Pollution Control	Storm Drainage
<b>Assets</b>				
Current assets				
Equity in city treasury cash	\$ 82,935,884	\$ 2,657,475	\$ 1,555,670	\$ 1,110,000
Receivables - net of allowances:				
Accounts	14,870,199	720,635	686,463	145,542
Accrued interest	95,028	39,670	32,614	1,839
Inventory	1,449,182	51,570	7,439	17,100
Prepaid expenses	982,506	0	0	0
Total current assets	<u>100,332,799</u>	<u>3,469,350</u>	<u>2,282,186</u>	<u>1,274,481</u>
Noncurrent assets				
Long term receivables	0	0	228,356	0
Net capital assets	<u>67,839,510</u>	<u>24,894,568</u>	<u>29,444,045</u>	<u>9,282,131</u>
Total noncurrent assets	<u>67,839,510</u>	<u>24,894,568</u>	<u>29,672,401</u>	<u>9,282,131</u>
Total Assets	<u>168,172,309</u>	<u>28,363,918</u>	<u>31,954,587</u>	<u>10,556,612</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	2,494,350	121,463	120,053	18,964
Accrued salaries, wages and benefits	4,350,979	85,968	67,628	12,881
Other accrued liabilities	3,019,808	0	0	0
Interest payable	0	65,006	217,126	1,971
Current portion of long term debt	0	295,761	900,961	160,545
Current portion of compensated absences	<u>2,377,499</u>	<u>62,871</u>	<u>49,005</u>	<u>7,356</u>
Total current liabilities	<u>12,242,636</u>	<u>631,069</u>	<u>1,354,773</u>	<u>201,717</u>
Noncurrent liabilities				
Long term debt	0	6,821,513	16,366,789	1,186,451
Compensated absences	<u>1,107,480</u>	<u>188,686</u>	<u>134,138</u>	<u>21,578</u>
Total noncurrent liabilities	<u>1,107,480</u>	<u>7,010,199</u>	<u>16,500,927</u>	<u>1,208,029</u>
Total Liabilities	<u>13,350,116</u>	<u>7,641,268</u>	<u>17,855,700</u>	<u>1,409,746</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	67,839,510	17,777,293	12,176,296	7,935,134
Restricted for				
Other purposes	1,852,084	0	0	0
Unrestricted	<u>85,130,599</u>	<u>2,945,357</u>	<u>1,922,591</u>	<u>1,211,732</u>
Total net assets	<u>\$ 154,822,193</u>	<u>\$ 20,722,650</u>	<u>\$ 14,098,887</u>	<u>\$ 9,146,866</u>

See accompanying notes to the basic financial statements.

Business-type Activities		Governmental Activities
Refuse	Totals	Internal Service Funds
\$ 504,496	\$ 88,763,525	\$ 487,866
186,548	16,609,387	0
821	169,972	0
0	1,525,291	0
0	982,506	0
<u>691,865</u>	<u>108,050,681</u>	<u>487,866</u>
0	228,356	0
0	131,460,254	4,691
<u>0</u>	<u>131,688,610</u>	<u>4,691</u>
<u>691,865</u>	<u>239,739,291</u>	<u>492,557</u>
111,018	2,865,848	39,247
0	4,517,456	11,257
0	3,019,808	133,227
0	284,103	0
0	1,357,267	0
0	2,496,731	11,248
<u>111,018</u>	<u>14,541,213</u>	<u>194,979</u>
0	24,374,753	0
0	1,451,882	31,917
<u>0</u>	<u>25,826,635</u>	<u>31,917</u>
<u>111,018</u>	<u>40,367,848</u>	<u>226,896</u>
0	105,728,233	4,691
0	1,852,084	0
580,847	91,791,126	260,970
<u>\$ 580,847</u>	<u>\$ 199,371,443</u>	<u>\$ 265,661</u>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-type Activities		
	Wooster Community Hospital	Water	Water Pollution Control
<b>Operating revenues:</b>			
Charges for services	\$ 106,719,035	\$ 5,307,239	\$ 4,906,467
Interfund services provided	0	0	0
Miscellaneous	0	117,299	104,300
Total operating revenues	<u>106,719,035</u>	<u>5,424,538</u>	<u>5,010,767</u>
<b>Operating expenses:</b>			
Personal services	67,688,194	1,550,840	1,137,320
Operations and maintenance	29,223,048	1,274,470	1,402,931
Depreciation	6,984,357	1,081,646	1,760,852
Interfund services used	0	290,236	1,010,666
Total operating expenses	<u>103,895,599</u>	<u>4,197,192</u>	<u>5,311,769</u>
Operating income (loss)	<u>2,823,436</u>	<u>1,227,346</u>	<u>(301,002)</u>
<b>Non-operating revenues (expenses):</b>			
Interest & investment earnings	839,622	26,454	22,021
Grants	216,685	300	0
Loss on disposal of capital assets	(151,677)	0	0
Interest expense	0	(210,495)	(454,322)
Net non-operating revenues (expenses)	<u>904,630</u>	<u>(183,741)</u>	<u>(432,301)</u>
<b>Income (loss) before capital contributions</b>	<u>3,728,066</u>	<u>1,043,605</u>	<u>(733,303)</u>
Capital contributions	<u>0</u>	<u>25,677</u>	<u>13,381</u>
<b>Change in net assets</b>	<u>3,728,066</u>	<u>1,069,282</u>	<u>(719,922)</u>
Total net assets at beginning of year	<u>151,094,127</u>	<u>19,653,368</u>	<u>14,818,809</u>
<b>Total net assets at end of year</b>	<u>\$ 154,822,193</u>	<u>\$ 20,722,650</u>	<u>\$ 14,098,887</u>

See accompanying notes to the basic financial statements.

Business-type Activities			Governmental Activities
Storm Drainage	Refuse	Totals	Internal Service Funds
\$ 1,176,279	\$ 1,454,606	\$ 119,563,626	\$ 2,563,368
0	0	0	350,387
2,402	5,141	229,142	0
<u>1,178,681</u>	<u>1,459,747</u>	<u>119,792,768</u>	<u>2,913,755</u>
216,444	0	70,592,798	2,604,651
85,308	1,337,007	33,322,764	196,658
267,558	0	10,094,413	429
103,684	70,599	1,475,185	0
<u>672,994</u>	<u>1,407,606</u>	<u>115,485,160</u>	<u>2,801,738</u>
<u>505,687</u>	<u>52,141</u>	<u>4,307,608</u>	<u>112,017</u>
12,946	5,708	906,751	73,542
0	47,181	264,166	0
0	0	(151,677)	0
(27,899)	0	(692,716)	0
<u>(14,953)</u>	<u>52,889</u>	<u>326,524</u>	<u>73,542</u>
490,734	105,030	4,634,132	185,559
<u>200,000</u>	<u>0</u>	<u>239,058</u>	<u>0</u>
690,734	105,030	4,873,190	185,559
<u>8,456,132</u>	<u>475,817</u>	<u>194,498,253</u>	<u>80,102</u>
<u>\$ 9,146,866</u>	<u>\$ 580,847</u>	<u>\$ 199,371,443</u>	<u>\$ 265,661</u>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-type Activities		
	Wooster Community Hospital	Water	Water Pollution Control
	\$	\$	\$
<b>Cash flows from operating activities:</b>			
Cash received from customers	103,017,570	5,309,450	4,831,717
Cash paid to suppliers	(25,107,015)	(1,543,141)	(2,789,367)
Cash paid to employees	(67,235,464)	(1,693,886)	(1,319,875)
Cash received from interfund services provided	0	0	0
Other revenue (expense)	0	117,299	104,300
Net cash provided (used) by operating activities	<u>10,675,091</u>	<u>2,189,722</u>	<u>826,775</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions received	0	25,677	13,381
Proceeds from debt	0	302,200	765,641
Acquisitions of capital assets	(5,783,356)	(493,802)	(708,384)
Principal paid on capital debt	0	(572,700)	(874,470)
Interest paid on capital debt	0	(219,537)	(452,173)
Net cash provided (used) for capital and related financing activities	<u>(5,783,356)</u>	<u>(958,162)</u>	<u>(1,256,005)</u>
<b>Cash flows from investing activities:</b>			
Interest from investments	1,182,500	29,685	34,617
Net cash provided (used) by investing activities	<u>1,182,500</u>	<u>29,685</u>	<u>34,617</u>
<b>Cash flows from non-capital financing activities:</b>			
Grants	0	300	0
Operating subsidies	216,685	0	0
Net cash provided (used) by non-capital financing activities	<u>216,685</u>	<u>300</u>	<u>0</u>
Net increase (decrease) in city treasury cash	6,290,920	1,261,545	(394,613)
Equity in city treasury cash at beginning of year	76,644,964	1,395,930	1,950,283
<b>Equity in city treasury cash at end of year</b>	<u>\$ 82,935,884</u>	<u>\$ 2,657,475</u>	<u>\$ 1,555,670</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 2,823,436	\$ 1,227,346	\$ (301,002)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	6,984,357	1,081,646	1,760,852
Changes in assets and liabilities:			
Receivables - net of allowances	158,360	2,211	(74,750)
Inventory	52,746	64,491	2,259
Prepaid expenses	(88,628)	0	0
Accounts and other payables	(48,903)	(42,926)	(378,029)
Accrued wages	452,730	(173,343)	(170,352)
Compensated absences payable	0	30,297	(12,203)
Other accrued liabilities	340,993	0	0
Net cash provided (used) by operating activities	<u>\$ 10,675,091</u>	<u>\$ 2,189,722</u>	<u>\$ 826,775</u>

**Non-Cash Capital Financing Activities**

During 2011, capital assets were contributed by governmental activities to the enterprise funds in the amount of \$200,000

See accompanying notes to the basic financial statements.

Business-type Activities			Governmental Activities
Storm Drainage	Refuse	Totals	Internal Service Funds
\$ 1,145,399	\$ 1,451,755	\$ 115,755,891	\$ 2,563,368
(132,298)	(1,409,024)	(30,980,845)	(2,552,880)
(210,265)	0	(70,459,490)	(201,780)
0	0	0	350,387
2,402	5,141	229,142	0
<u>805,238</u>	<u>47,872</u>	<u>14,544,698</u>	<u>159,095</u>
0	0	39,058	0
0	0	1,067,841	0
(463,490)	0	(7,449,032)	0
(160,544)	0	(1,607,714)	0
(29,807)	0	(701,517)	0
<u>(653,841)</u>	<u>0</u>	<u>(8,651,364)</u>	<u>0</u>
17,258	7,203	1,271,263	73,542
<u>17,258</u>	<u>7,203</u>	<u>1,271,263</u>	<u>73,542</u>
0	47,181	47,481	0
<u>0</u>	<u>0</u>	<u>216,685</u>	<u>0</u>
<u>0</u>	<u>47,181</u>	<u>264,166</u>	<u>0</u>
168,655	102,256	7,428,763	232,637
941,345	402,240	81,334,762	255,229
<u>\$ 1,110,000</u>	<u>\$ 504,496</u>	<u>\$ 88,763,525</u>	<u>\$ 487,866</u>
\$ 505,687	\$ 52,141	\$ 4,307,608	\$ 112,017
267,558	0	10,094,413	429
(30,880)	(2,851)	52,090	0
48,917	0	168,413	0
0	0	(88,628)	0
7,777	(1,418)	(463,499)	18,485
2,601	0	111,636	633
3,578	0	21,672	24,429
0	0	340,993	3,102
<u>\$ 805,238</u>	<u>\$ 47,872</u>	<u>\$ 14,544,698</u>	<u>\$ 159,095</u>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**DECEMBER 31, 2011**

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	Total Agency Funds
<b>Assets:</b>	
Equity in city treasury cash	\$ 642,919
Total assets	<u>\$ 642,919</u>
<b>Liabilities:</b>	
Accounts payable	\$ 1,646
Due to agency recipient	641,273
Total liabilities	<u>\$ 642,919</u>

See accompanying notes to the basic financial statements.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**Financial Reporting Entity**

The City of Wooster (City) was incorporated on October 13, 1817 under the laws of the State of Ohio. In 1973 a voter-approved charter became effective. The City provides various services and consists of many different activities and smaller accounting entities. These include a community hospital, an economic development loan program, a police force, a fire fighting and prevention force, a water treatment plant, a sewage treatment plant, a storm water drainage system, a traffic control system, street lighting, a street maintenance force (including construction, repair, and snow and ice removal), a parks and recreation system, a community center, rubbish collection and recycling service, and staff to provide the necessary support to these service providers. All are responsible to the citizens of Wooster and are; therefore, included within the reporting entity.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligations of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the City reporting entity.

**Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into two broad fund categories and seven generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds and an internal service fund. The City has three fiduciary agency funds.

**Basis of Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of the internal service fund activity has been eliminated from the government-wide financial statements. Other activities from interfund services provided and used are not eliminated in the process of consolidation.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**FUND FINANCIAL STATEMENTS**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**GOVERNMENTAL FUNDS**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

- General Fund – This is the City’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund – To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of special assessment principal and interest. These debt issues were sold to finance construction of various projects that were deemed to benefit only those residents in the immediate area of the projects and are paid for by those residents through assessments against their property.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). These revenues include investment earnings, income taxes withheld by employers, estate taxes, and fines and forfeitures. In accordance with GASB 36, certain state-levied locally shared taxes including motor vehicle license tax and gasoline taxes are considered voluntary non-exchange transactions. These types of transactions are subject to six months accrual and income recognition. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**PROPRIETARY FUNDS**

All proprietary funds are accounted for using the accrual basis of accounting. The City applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its enterprise funds and business-type activities, provided they do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility and hospital service receivables are recorded at each year-end. City Council granted certain residents a credit against storm drainage user charges for amounts paid by them for special assessments levied. The amount of the credit is recorded as deferred revenue and will be credited against each customer's monthly storm drainage charge. The receivable and revenue from such assessments are reported as accounts receivable and user charges (or deferred revenue), respectively.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The major proprietary funds are:

- Wooster Community Hospital Fund – To account for the health care services provided by the City owned and operated hospital.
- Water Fund – To account for the provision of water treatment and distribution to the residential and commercial users of the City and some residents of the county.
- Water Pollution Control Fund – To account for sanitary sewer services provided to the residential and commercial users of the City and some residents of the county.
- Storm Drainage Fund – To account for the storm drainage runoff service provided to the residential and commercial users of the City.
- Refuse Fund – To account for trash collection services provided to the residential and some commercial users of the City.

The City has three internal service funds:

- Municipal Garage – To account for the costs of maintaining automotive equipment used by various City departments. Costs are billed to the departments for labor and materials at actual cost with the elimination of the effect of internal service fund activity adjusted to break even.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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- Employee Benefits Fund - To account for all claims filed against and paid by the city (as the employer) under the city's self-funded program of group health insurance.
- Investment Fund – To accumulate interest earnings from certain pooled investments and to pay expenses incurred in the handling of fiscal matters with third parties until such time as the net proceeds can be distributed to the other funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**FIDUCIARY FUNDS**

The City currently has three agency fiduciary funds. Agency funds are unlike all other types of funds, reporting only assets and liabilities; therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. The following three funds are used by the City to account for assets held by the City in a custodial capacity:

- The Wooster Growth Corporation Fund is used to account for revenues and expenditures of the City's community improvement corporation.
- The Guaranteed Deposits Fund is used to hold funds received from a contractor, developer, or individual to insure compliance with City ordinances through the completion of a construction or development project. Upon project completion, the deposit is returned to the party, less any applicable inspection fees.
- The Clearing Fund is used to hold monies received for bid bonds or proceeds on behalf of certain individuals, as well as any unclaimed checks of the municipality. Insurance premiums for retired employees or spouses participating in the City's group health insurance program are also reimbursed and paid from this fund.

**Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in city treasury cash."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Investments**

Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments" was implemented during 1997. In accordance with this statement, investments held at December 31, 2011 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures" was implemented during 2004. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The City of Wooster's policy is to invest public funds in a manner which protects the citizens and the investors from a loss of principal while attaining a competitively high rate of return on investment.

The portfolio is continuously analyzed to attain the following objectives:

- A. Preserve capital and protect investment principal in conformance with federal, state and local requirements.
- B. Maintain sufficient liquidity to meet operating requirements.
- C. Diversify the portfolio to avoid incurring unreasonable risks regarding specific security type or Individual financial institutions.
- D. Attain a market rate of return throughout budgetary and economic cycles.
- E. Protect the principal of lenders.
- F. Encourage community growth.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2011.

**Receivables**

Wooster Community Hospital Fund accounts receivable is stated at billed charges less the difference between billed charges and the amount payable under third-party payor contractual agreements, and net of allowance for doubtful accounts. The \$9,261,927 allowance for uncollectibles represents estimates of uncollectible patient receivables in the accounts (user charge) classification and third party contractual adjustments for hospital fund receivables.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Other receivables at December 31, 2011 consist of property tax, income taxes withheld by employers, accounts (billings for user charged services, including utility services), due from other governments, due from other funds, special assessments, and accrued interest on investments. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full.

Receivables not expected to be collected within the subsequent year include deferred special assessments receivable in the Debt Service and Capital Improvement funds, and long-term receivables in the Water Pollution Control, Economic Development and Economic/Downtown Loan funds.

**Reimbursements**

Wooster Community Hospital Fund net operating revenues include amounts received or receivable from Medicare, Medicaid, and other third party payors under the provisions of reimbursement agreements. Inpatient services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicare program beneficiaries are paid based on a combination of fee schedules, prospectively determined rates and a cost reimbursement methodology. Outpatient services rendered to the Medicaid program beneficiaries are generally paid based on fee schedules and prospectively determined rates.

Other third party payors may provide for payments at amounts different from established rates. Payment arrangements may include prospectively determined rates per discharge, discounted charges and per diem payments.

Wooster Community Hospital accepts all patients, regardless of their ability to pay. Care is provided without charge, or at amounts less than established rates, to patients who meet certain criteria under a charity care policy. Wooster Community Hospital provided \$3,432,203 in charity care in 2011.

**Inventory of Supplies**

Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

**Buildings/interior:** 5-50 years

**Improvements/Infrastructure:** streets 10-50 years; land improvements 10-20 years; water, sewer, storm lines 50 years

**Equipment:** vehicles 2-6 years; other moveable equipment 10-15 years; fire equipment 12 years.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City Council.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. 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.

**Unpaid Compensated Absences**

The City accrues unused portions of vacation pay in the period the liability is incurred. As permitted by Governmental Accounting Standards Board Statement No. 16, the vesting method is used to accrue sick leave liability. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. Even though the City has appropriated, accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board – “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Restricted net assets, including “restricted for other purposes” reported on the statement of net assets represent amounts which limitations are imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include amounts to provide public safety and environment and development services. The City did not report any significant net asset balances restricted by enabling legislation for year ending December 31, 2011.

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

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

Requirements for all funds:

- A. Annual budgets are adopted for all City funds. Under state law, the Mayor submits an annual budget (a preliminary financial plan often referred to as the 'tax budget') to Council for consideration and approval no later than July 15. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

**CITY OF WOOSTER, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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- B. By Charter the Mayor must submit an annual appropriation ordinance to City Council. This ordinance builds upon the tax budget of the previous July and is updated for any estimate revisions as well as year-end encumbrances and may include any additional information requested by Council. Council may subsequently amend such ordinance. Amendments to the appropriation ordinance during 2011 were approved by City Council as provided by the Charter.
- C. For day-to-day management control, expenditures plus encumbrances may not exceed budget at the expenditure-type (i.e., personal services, operations and maintenance, capital, etc.) level of each cost center (activity within a program within a fund). The Mayor may transfer unencumbered appropriations within programs within funds.
- D. Appropriation control (City Council appropriated budget) is at the object level (personal services and other) by program (i.e., safety, leisure, health, etc.) within a fund. City Council may, by ordinance, transfer amounts among programs within and between funds. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.

The Community Development Block Grant Fund had a deficit fund balance in the amount of \$19,875. The deficit in this non-major governmental fund resulted from the timing of reimbursements for grant expenditures. The general fund is liable for any deficit in these funds and will provided transfers when cash is required.

**NOTE 3 – INTER-FUND TRANSACTIONS**

Purpose	Receivable Fund	Payable Fund	Amount
Due to/from:			
Advance in anticipation of grant receipts	General	Nonmajor governmental fund	\$ 100,000

During the year, the general fund transferred \$73,950 to a nonmajor governmental fund to provide capital funding.

Also during the year, Governmental Activities transferred capital assets with a value of \$200,000 to the Business-Type Activities (Storm Drainage fund).

**NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES**

On January 1, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

**Policies and Practices**

The City's Charter specifies that the Director of Finance is responsible for selecting depositories and investing idle funds. The Director of Finance also has the authority to choose the types of deposits and investments made by the City. The Federal Deposit Insurance Corporation (FDIC) provides protection of City cash and investments as well as qualified pledged or pooled securities by the institutions holding the assets. The various institutions, or their trustees, including the Federal Home Loan Bank and the Federal Reserve Bank hold such collateral. The City does not enter into reverse repurchase agreements.

The City pools all individual fund cash balances. Each fund's portion of this pool is displayed on the statements of net assets or balance sheets as "Equity in city treasury cash". Income is distributed to the funds based on contribution to the pool.

Investment securities purchased by the City will be delivered by either book entry or physical delivery. The purchase and sale of all securities may be on a delivery versus payment basis. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and other pertinent information. Deposit type securities (i.e., certificates of deposit) shall be collateralized as required by ORC for any amount exceeding FDIC or FSLIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

The City will diversify the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Diversification by instrument and the percentage of portfolio cannot exceed the following:

- A. U.S. Treasury Obligations (bills, notes and bonds), 100%.
- B. U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations, 100%.
- C. Certificates of Deposit (collateralized), 100%.
- D. Commercial paper notes, 25%.
  - 1. Notes must be rated at time of purchase in the highest classification established by at least two standard rating services.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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- 2. Aggregate value of the note does not exceed 10% of the aggregate value of the outstanding commercial paper of the issuing corporation.
- 3. Notes mature no later than 180 days after purchase.
- E. Banker's acceptance of banks that are members of the FDIC, 25%.
  - 1. The obligations are eligible for purchase by the Federal Reserve System.
  - 2. The obligations mature no later than 180 days after purchase.
- F. Repurchase Agreements, 25%.
- G. State and Local Government Securities, 25%.
- H. State of Ohio Investment pool, 25%.

Maturity limitations shall depend upon whether the funds being invested are considered short-term or long-term funds. All funds shall be considered short-term except those reserved for capital projects (i.e., bond sale proceeds), funds to be used in the future for debt service, and special assessment prepayments being held for debt retirement. Except for previously mentioned situations, as directed by the investment officer, investments shall be limited to maturities not exceeding 24 months.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2011, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At year-end, the carrying amount of the City's deposits was \$23,689,471, which includes \$7,365 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$7,495,915 of the City's bank balance of \$25,248,572 was exposed to custodial risk as discussed above, while \$17,752,657 was covered by Federal Deposit Insurance Corporation.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Investments**

As of December 31, 2011, the City had the following investments and maturities:

Investment Type	Maturity				
	Fair Value	1 Year or Less	1-3 Years	3-5 Years	More than 5 Years
U. S. Agency Notes	\$ 35,704,670	\$ 1,533,795	\$ 32,152,035	\$ 2,018,840	\$ 0
U. S. Treasury Notes	8,042,871	3,007,559	5,035,312	0	0
STAROhio*	20,303,835	20,303,835	0	0	0
Commercial Paper	18,478,424	18,478,424	0	0	0
Municipal Bonds	127,366	0	111,589	9,336	6,441
	<u>\$ 82,657,166</u>	<u>\$ 43,323,613</u>	<u>\$ 37,298,936</u>	<u>\$ 2,028,176</u>	<u>\$ 6,441</u>

\*It is the policy of STAROhio that the portfolio maintains an average weighted maturity of less than 60 days.

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk.** State law limits investments in corporate debt to the top two ratings issued by nationally recognized statistical rating organizations. The City does not have a written policy limiting its corporate debt investments to the top rating. All investments in commercial paper are rated A-1 and P-1, which are the top ratings by Standard & Poor's and Moody's Investors Services respectively. In addition, all amounts in U.S. Agency notes and the U.S. Treasury note are rated Aaa and AAA by Moody's and Standard & Poor's respectively, which is the top rating available for those investment types. Standard & Poor's has assigned STAROhio an AAAM rating.

**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 investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The City's investment policy limits the amounts it may invest in any one type of instrument. The following is the City's allocation as of December 31, 2011:

Investment Type	Fair Value	Percentage of Investments
U. S. Agency Notes	\$ 35,704,670	43.20%
U. S. Treasury Notes	8,042,871	9.73%
STAROhio	20,303,835	24.56%
Commercial Paper	18,478,424	22.36%
Municipal Bonds	127,366	0.15%
	<u>\$ 82,657,166</u>	<u>100.00%</u>

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2011 was as follows:

<b>Governmental Activities</b>	Balance 12/31/10	Increases	Decreases	Balance 12/31/11
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 3,704,397	\$ 574,756	\$ 0	\$ 4,279,153
Construction in progress	1,271,050	1,906,690	(387,084)	2,790,656
<i>Total Capital Assets, not being depreciated</i>	<u>4,975,447</u>	<u>2,481,446</u>	<u>(387,084)</u>	<u>7,069,809</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	7,274,088	294,408	0	7,568,496
Improvements/infrastructure	78,330,388	1,064,656	0	79,395,044
Equipment	11,567,516	183,019	0	11,750,535
<i>Total Capital Assets, being depreciated</i>	<u>97,171,992</u>	<u>1,542,083</u>	<u>0</u>	<u>98,714,075</u>
<i>Accumulated Depreciation:</i>				
Buildings	(5,052,379)	(227,825)	0	(5,280,204)
Improvements/infrastructure	(41,599,876)	(2,092,373)	0	(43,692,249)
Equipment	(8,644,969)	(498,626)	0	(9,143,595)
<i>Total Accumulated Depreciation</i>	<u>(55,297,224)</u>	<u>(2,818,824)</u>	<u>0</u>	<u>(58,116,048)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>41,874,768</u>	<u>(1,276,741)</u>	<u>0</u>	<u>40,598,027</u>
<i>Governmental Activities, Capital Assets, net</i>	<u>\$ 46,850,215</u>	<u>\$ 1,204,705</u>	<u>\$ (387,084)</u>	<u>\$ 47,667,836 *</u>

\*Balance includes \$4,691 from the Internal Service Fund

Depreciation was charged to functions as follows:

<i>Governmental Activities:</i>	
Safety services	\$ 632,985
Leisure services	206,364
Environment and development	4,110
Transportation services	1,764,663
Administrative services	210,702
<i>Total governmental activities depreciation expense</i>	<u>\$ 2,818,824 *</u>

\*Includes \$429 for Internal Service fund

**CITY OF WOOSTER, OHIO**  
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<b>Business-type Activities</b>	Balance 12/31/10	Additions	Reductions	Balance 12/31/11
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 7,706,365	\$ 241,420	\$ 0	\$ 7,947,785
Construction in progress	5,246,667	5,528,575	(8,367,313)	2,407,929
<i>Total Capital Assets, not being depreciated</i>	<u>12,953,032</u>	<u>5,769,995</u>	<u>(8,367,313)</u>	<u>10,355,714</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	96,681,428	2,416,540	(105,000)	98,992,968
Improvements/infrastructure	85,203,982	5,226,866	(74,687)	90,356,161
Equipment	50,541,329	2,602,944	(1,140,346)	52,003,927
<i>Total Capital Assets, being depreciated</i>	<u>232,426,739</u>	<u>10,246,350</u>	<u>(1,320,033)</u>	<u>241,353,056</u>
<i>Accumulated Depreciation:</i>				
Buildings	(43,485,567)	(2,594,709)	0	(46,080,276)
Improvements/infrastructure	(29,322,630)	(4,030,053)	6,219	(33,346,464)
Equipment	(38,514,261)	(3,469,651)	1,162,136	(40,821,776)
<i>Total Accumulated Depreciation</i>	<u>(111,322,458)</u>	<u>(10,094,413)</u>	<u>1,168,355</u>	<u>(120,248,516)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>121,104,281</u>	<u>151,937</u>	<u>(151,678)</u>	<u>121,104,540</u>
<i>Business-type Activities, Capital Assets, net</i>	<u>\$ 134,057,313</u>	<u>\$ 5,921,932</u>	<u>\$ (8,518,991)</u>	<u>\$ 131,460,254</u>

Depreciation was charged to functions as follows:

<i>Business-type Activities:</i>	
Wooster Community Hospital	\$ 6,984,357
Water	1,081,646
Water Pollution Control	1,760,852
Storm Drainage	267,558
<i>Total business-type activities depreciation expense</i>	<u>\$ 10,094,413</u>

**NOTE 7 - PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35% of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2011, was \$4.20 per \$1,000 of assessed valuation. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 509,386,070
Public Utilities - Real	50,150
Public Utilities - Personal	<u>12,258,470</u>
Total Assessed Value	<u>\$ 521,694,690</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Wooster. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

Plan Description – The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2011, members in state and local classifications contributed 10% of covered payroll while public safety and law enforcement members contributed 11% and 11.6%, respectively.

The City's 2011 contribution rate was 14%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1% of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$3,347,544, \$3,604,276, and \$3,253,032, respectively. For 2011, 88.8% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. There were no contributions made to the Member-Directed Plan for 2011.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% for police officers and 24% for firefighters. The City's contributions to OP&F for police and firefighters were \$299,813 and \$390,842 for the year ended December 31, 2011, \$309,074 and \$527,875 for the year ended December 31, 2010, and \$311,476 and \$483,884 for the year ended December 31, 2009, respectively. 67.9% for police and 23.8% for firefighters has been contributed for 2011. The full amount has been contributed for 2010 and 2009.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14% of covered payroll, and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% percent during calendar year 2011.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$1,673,772, \$2,061,852 and \$2,369,161, respectively. For 2011, 88.8% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Ohio Police and Fire Pension Fund**

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment 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 reimbursement 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 meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$165,858 and \$208,026 for the year ended December 31, 2011, \$163,516 and \$206,304 for the year ended December 31, 2010, and \$137,960 and \$214,324 for the year ended December 31, 2009. 67.9% has been contributed for police and 23.8% has been contributed for firefighters for 2011. The full amount has been contributed for 2010 and 2009.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

**Accumulated Unpaid Vacation and Compensatory Time**

Each bargaining unit and the management staff earn vacation at different rates, which are based upon length of service. Vacation accumulation is limited to two and three years, respectively. Any unused excess is eliminated from the employee's leave balance. In the case of death, termination, or retirement an employee (or his estate) is paid for his unused vacation to a maximum of the above limitations. The total obligation for vacation and compensatory time accrual for the City and Hospital amounted to \$3,127,112 at December 31, 2011.

**Accumulated Unpaid Sick Leave**

Each bargaining unit and the management staff earn sick leave at different rates. Employees with at least 10 years service upon retirement are paid for thirty-three % (City) and twenty-five % (Hospital) of their accumulated sick leave, not to exceed various ceilings depending on bargaining unit or management staff status. This obligation amounted to \$2,935,408 for the City and Hospital at December 31, 2011, for those employees who are eligible, or are expected to become eligible, to retire with at least 10 years of service at retirement. Employees are expected to become eligible after 5 years of service in safety forces, and 7 or 10 years for all others.

**NOTE 11 - OTHER COMMITMENTS**

**Justice Center Contract**

The City has a continuous agreement with Wayne County to share in the costs of operating the Justice Center. The agreement calls for the City to pay 29% of the operating costs of the Justice Center (subject to annual updates based on actual use) except for staffing of shared areas for which costs are shared equally. The 2011 contract cost for the Justice Center was \$553,884.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Operating Leases**

The Wooster Community Hospital leases medical and office equipment under noncancelable operating leases. Total costs for such leases were \$684,527 for the year ended December 31, 2011. All leases end in 2016 or earlier. The future minimum payments for these leases are as follows:

Year Ending December 31,	
2012	\$ 481,567
2013	320,101
2014	242,416
2015	129,875
2016	24,214
	<u>\$ 1,198,173</u>

**City Construction Commitments**

**Melrose Drive Improvements:** The Wooster Engineering Division completed the design to improve approximately 4,200 linear feet of Melrose Drive by widening the roadway, improving intersections and upgrading utilities. The construction estimated cost for this project is \$2,245,000 with OPWC providing a \$500,000 grant. Seven contractors submitted bids in October, 2011 for the construction of this roadway improvement project. The total cost of the contract was \$1,988,022; \$1,652,372 of the contract remained payable as of December 31, 2011. Utility relocations and clearing of the area began in November. Excavating for storm sewer and waterline placement began in early spring of 2012. Roadway construction will follow closely behind the utility work.

**SR585/Akron Road Reconstruction – Phase 1 :** This project was designed with the intent to reduce congestion and improve safety by installing storm sewers, curb, gutter and sidewalks, bike lane, adding a turn lane, flattening the curve and reconfiguring lane usage at Portage Road and providing a new surface coarse over the existing roadway between Old Airport Road and Gateway Drive. The project estimate for Phase 1 is \$1,700,000 and is partially funded by ODOT. Stout Excavating was awarded the contract with a price of \$1,751,088, of which \$1,265,505 was paid before year-end.

**Burbank Road W/L – Phase 1:** This project consists of replacing existing under-sized and corroded cast iron water mains, upgrading water services and replacing fire hydrants. The project limits are from the intersection of Burbank and Cleveland Road to the south and north to Elm Drive. Funding for this project will be a combination of local funds and OPWC funding. The project cost is \$706,473, funded through a combination of local monies and OPWC funding. At the end of the year work was approximately 75% done and contract costs of \$343,839 remained outstanding.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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SR83/Friendsville Road Signal Improvement: Prior to year-end, the City signed a contract with Lafayette Electric for the installation of new traffic control devices at the intersection of State Route 83 and Friendsville Road. The contract price and contingencies for the project were \$149,000, the full amount of which was outstanding to Lafayette Electric at the end of the year. Work on the project began in early 2012.

Gasche Street Sewer Separation: This project consists of the installation of storm sewer and storm laterals for the purpose of separating storm sewer flows from the sanitary sewer per Ohio EPA mandates. Stout Excavating was awarded the project contract for \$991,185. The project was 95% complete as of the end of 2011, with \$13,679 of the contract remaining to be paid. Pavement of Wilson and an alley are slated to be done in the spring of 2012 which will complete the project.

**NOTE 12 - CONTINGENCIES**

**Enterprise and Special Assessment Bonded Debt**

Certain general obligation bonds are being retired by use of revenues generated by the General, Street Maintenance, Water, Water Pollution Control, Storm Drainage, and Special Assessment Debt Service Funds. These bonds are general obligation issues backed by the full faith and credit of the City. Management does not foresee any circumstance that would change the current source of funding for these obligations.

**Litigation**

During 2011 the City carried a policy of general liability coverage as a member of the Ohio Plan. The maximum exposure to the City was a deductible of \$25,000 per case.

At this time there are five cases pending in which the City (or one of its boards and commissions) is a party defendant. One is a foreclosure case in which the City acted as a conduit for the loan of block grant monies. As a result, there is no danger of an adverse money judgment. In the second case the judgment of the City's planning commission is being appealed. The planning commission granted an application filed by the city administration for conditional use approval to build a fire station in an area zoned for single family residential housing, and a resident of the area has appealed the commission's decision. Again, there is no danger of an adverse money judgment. In a third case the judgment of the city's board of zoning appeals is being challenged over the granting of a variance. As in the planning commission appeal, there is no danger of an adverse money judgment. Finally, the city was named as a defendant in a probate action which seeks to compel the sale of real estate in a probate estate. The city is a named defendant because of a lien it has against the property for unpaid utility bills. As with the other cases, there is no danger of an adverse money judgment against the city.

The city is also the plaintiff in a nuisance case filed against a local industry that treats industrial waste, and as a by-product, periodically generates noxious odors. Because the city is a plaintiff and there are no claims for monetary damages, there is no danger of an adverse money judgment against the city.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Wooster Community Hospital carries separate policies for malpractice and general liability coverage. The maximum malpractice exposure is \$25,000 deductible per case, with a total limit of \$75,000 per year. The general liability policy has a maximum exposure of \$50,000 deductible per claim. Presently there is one pending malpractice claim and one general liability claim.

In the case of both the general city government and the hospital, all cases are being vigorously defended. It is not anticipated that any of these cases or claims will have a material adverse impact on the finances of either.

**Contingencies Under Grant Provisions**

The City participates in several federally assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. As of December 31, 2011, the audits of these grants and programs were complete through 2009 and the City's compliance with applicable requirements has been established. The City's compliance with applicable requirements for 2010-2011 will be established at a future date. The City does not expect any disallowance of grant expenditures.

**Other Contingencies**

**Low and Moderate Income Housing**

Wayne Metropolitan Housing Authority (WMHA) and Community Crossroads, Incorporated collectively manage fifteen properties to be made available to low and moderate income housing under grant provisions approved by the Secretary of Housing and Urban Development (HUD). Thirteen properties are owned and managed by WMHA and two are owned and managed by Community Crossroads, Incorporated. The property deeds carry the restriction that the properties must be used for the intended purpose (low and moderate income housing). If the properties are no longer used for the intended purpose, the properties will be transferred back to the City or such other agency as the City determines.

**NOTE 13 - CONDUIT DEBT OBLIGATIONS**

From time to time, the City has issued certain limited-obligation revenue bonds on behalf of private sector and nonprofit entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property and revenues of those entities, and are payable solely from the resources of those entities. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011 there was one series of Adjustable Rate Demand Health Care Facilities Bonds outstanding with a principal amount payable of \$5,600,000.

**CITY OF WOOSTER, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 14 - RISK MANAGEMENT**

**Risk Pool Membership**

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City contracts with Ohio Government Risk Management Plan (the Plan), an Ohio government risk management program. The Plan was formed in June 1988 for the primary purpose of managing third-party liability claims against its members. The Plan provides property, liability, error and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its 764 members. The City's settled claims have not exceeded insurance coverage for the past three years. The Plan has chosen to adopt the forms and endorsements of conventional insurance coverage and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have excess reinsurance coverage above the retention amount. Therefore, the City's only responsible for its self-retention (deductible) amount. The Plan reinsures its coverage 100%, with various reinsurance companies up to a limit of \$5,000,000 per occurrence, per member. The City has not had any reduction in insurance coverage in the past three years.

**Self-insured Health Care**

City employees are provided traditional health care insurance that covers hospitalization and major medical expenses within specified limits. The plan is self-funded by the City and administered by a third-party administrator. The City pays the administrator a monthly fixed fee for various claim administration services on a per enrolled employee basis.

The City pays all claims. The third-party administrator submits weekly funding requests for all processed claims. The City issues payment to the plan administrator who in turn issues individual claim checks. The City carries stop-loss insurance against catastrophic losses. The premiums for these policies are billed monthly by the third-party administrator on a per enrolled employee basis. Third party administrators estimated the claims liability reported in the fund at December 31, 2011. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

As of December 31, 2011 the outstanding claims liability was \$1,502,355, of which \$1,297,085 is attributed to the Hospital and \$205,270 is attributed to the City.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Changes in the fund's claims liability amounts 2006 to 2011 are:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Balance at beginning of year	\$2,128,433	\$1,627,607	\$ 1,809,811	\$ 1,282,159	\$ 1,523,577	\$ 1,434,222
Current year claims	9,391,185	9,485,549	10,193,138	11,710,559	12,737,438	12,461,624
Claim payments	<u>(9,892,011)</u>	<u>(9,303,345)</u>	<u>(10,720,790)</u>	<u>(11,469,141)</u>	<u>(12,826,793)</u>	<u>(12,393,491)</u>
Balance at end of year	<u>\$1,627,607</u>	<u>\$1,809,811</u>	<u>\$ 1,282,159</u>	<u>\$ 1,523,577</u>	<u>\$ 1,434,222</u>	<u>\$ 1,502,355</u>

**NOTE 15 – LONG-TERM LIABILITIES**

**Governmental Activities**

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for compensated absences related to internal services are included in governmental activities. Also for governmental activities, the General fund, Permissive Tax fund, and Street Construction Maintenance and Repair fund have been used to liquidate compensated absences of governmental activities in the past.

All special assessment debt is paid through the Debt Service Fund. In the event and to the extent that special assessments are not collected and to pay the debt charges on the bonds representing the City portion, there shall be levied on all the taxable property in the City, in addition to all other taxes, a direct tax annually during the period the bonds are outstanding in an amount sufficient to pay the principal of and interest on the bonds when due. The amount of delinquent special assessments receivable at year-end is \$6,074. The remaining general portion of bonds and notes are liquidated by General, Special Revenue, and Capital Project funds.

**Compensated Absences**

For all employees, except for those that have separated employment as of December 31, 2011, the estimated sick leave payable upon termination is recorded as a long term liability. Compensated absences are reported as a governmental fund liability only if they have matured. Compensated absences are considered to be mature when an employee retires prior to the end of the fiscal period but has not yet been paid for accumulated leave balances as of year end. Vacation accrual in excess of one year is also considered a long-term liability. The General fund, Permissive Tax fund, and Street Construction Maintenance and Repair fund have been used to liquidate compensated absences of governmental activities in the past.

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Debt service requirements to maturity**

The City's legal debt margin within the 10 ½% limitation was approximately \$46.9 million at December 31, 2011. Principal and interest requirements to retire the City's long-term obligations are as follows:

**BUSINESS-TYPE ACTIVITY**  
**WATER**

Year	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals
	Principal	Interest	Principal	Interest	Principal	
2012	\$ 167,350	\$ 113,391	\$ 108,156	\$ 99,370	\$ 20,255	\$ 508,522
2013	168,600	108,870	126,855	95,077	45,255	544,657
2014	171,200	104,321	131,301	90,632	45,255	542,709
2015	173,800	99,630	135,901	86,030	45,254	540,615
2016	182,650	94,736	140,664	81,267	45,255	544,572
2017-2021	941,500	379,728	780,870	328,787	226,274	2,657,159
2022-2026	865,000	232,184	927,841	181,812	162,534	2,369,371
2027-2031	808,750	74,823	516,332	27,737	69,395	1,497,037
2032-2036	0	0	0	0	69,391	69,391
2037-2039	0	0	0	0	41,636	41,636
	<u>\$ 3,478,850</u>	<u>\$ 1,207,683</u>	<u>\$ 2,867,920</u>	<u>\$ 990,712</u>	<u>\$ 770,504</u>	<u>\$ 9,315,669</u>

**BUSINESS-TYPE ACTIVITY**  
**WATER POLLUTION CONTROL FUND**

Year	General Obligation Bonds		OWDA Loans		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2012	\$ 14,982	\$ 10,585	\$ 883,801	\$ 428,442	\$ 2,178	\$ 1,339,988
2013	15,634	10,285	909,739	402,505	2,178	1,340,341
2014	15,634	9,973	936,445	375,798	2,178	1,340,028
2015	15,634	9,660	963,943	348,300	2,178	1,339,715
2016	16,285	9,347	1,111,340	347,522	2,179	1,486,673
2017-2021	85,986	40,335	6,709,906	1,317,505	10,895	8,164,627
2022-2026	99,014	26,665	4,955,978	421,545	10,895	5,514,097
2027-2031	93,151	8,637	379,261	5,063	10,897	497,009
2032-2036	0	0	0	0	10,900	10,900
2037-2039	0	0	0	0	6,539	6,539
	<u>\$ 356,320</u>	<u>\$ 125,487</u>	<u>\$ 16,850,413</u>	<u>\$ 3,646,680</u>	<u>\$ 61,017</u>	<u>\$ 21,039,917</u>

**CITY OF WOOSTER, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**BUSINESS-TYPE ACTIVITY**  
**STORM DRAINAGE FUND**

Year	General Obligation Bonds		OPWC Loan	Totals
	Principal	Interest	Principal	
2012	\$ 145,000	\$ 23,400	\$ 15,545	\$ 183,945
2013	150,000	20,500	15,545	186,045
2014	150,000	17,500	15,545	183,045
2015	150,000	14,500	15,545	180,045
2016	155,000	11,500	15,546	182,046
2017-2021	305,000	12,274	77,730	395,004
2022-2026	0	0	69,342	69,342
2027-2031	0	0	28,400	28,400
2032-2036	0	0	24,250	24,250
2037-2039	0	0	14,548	14,548
	<u>\$ 1,055,000</u>	<u>\$ 99,674</u>	<u>\$ 291,996</u>	<u>\$ 1,446,670</u>

**GOVERNMENTAL ACTIVITIES**

Year	Bonds		OPWC Loan	Totals
	Principal	Interest	Principal	
2012	\$ 366,621	\$ 137,320	\$ 22,471	\$ 526,412
2013	363,995	110,139	22,471	496,605
2014	376,810	114,686	18,161	509,657
2015	347,023	102,798	13,850	463,671
2016	353,034	92,877	13,850	459,761
2017-2021	1,284,632	299,898	62,389	1,646,919
2022-2026	542,983	130,438	0	673,421
2027-2030	443,098	41,076	0	484,174
	<u>\$ 4,078,196</u>	<u>\$ 1,029,232</u>	<u>\$ 153,192</u>	<u>\$ 5,260,620</u>

**CITY OF WOOSTER, OHIO**  
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	Original Amount	Balance 12/31/2010	Increases	(Decreases)	Balance 12/31/2011	Amount Due in 2012
<b>BUSINESS-TYPE ACTIVITIES:</b>						
<b>Wooster Community Hospital Fund:</b>						
Compensated Absences	\$ 0	\$ 2,374,171	\$ 3,199,433	\$ (2,088,625)	3,484,979	\$ 2,377,499
<b>WCH Fund Total</b>	<b>0</b>	<b>2,374,171</b>	<b>3,199,433</b>	<b>(2,088,625)</b>	<b>3,484,979</b>	<b>2,377,499</b>
<b>Water Fund:</b>						
5.4-5.75% 1995 G.O. Bonds	704,045	406,100	0	(31,000)	375,100	33,600
3.0-3.85% 2001 G.O. Bonds	3,000,000	300,000	0	(300,000)	0	0
2007 0% OPWC Loan-Intermediate Zone Water Tank (20 years)	416,362	402,485	0	(13,879)	388,606	13,879
2007 3.36% O.W.D.A. Loans - Water Tank and Booster Station (20 years)	3,042,615	2,363,428	0	(83,915)	2,279,513	85,225
2008 0% OPWC Loan - Cleveland/ Portage Waterline ( 20 years)	295,637	86,073	0	(6,375)	79,698	6,376
2009 4.14% O.W.D.A. Loan - Waterline Replacement (20 years)	384,528	371,090	0	(12,432)	358,658	13,752
2009 3.7% O.W.D.A. Loan - Secondary Transmission Line (20 years)	247,128	238,598	0	(8,849)	229,749	9,179
2010 Refunding Bonds (2.0-2.75%) Beall Avenue (20 years)	710,000	710,000	0	(26,250)	683,750	28,750
2010 Refunding Bonds (2.0-2.75%) Water (20 years)	2,510,000	2,510,000	0	(90,000)	2,420,000	105,000
2011 0% OPWC Loan-Burbank Road Waterline Replacement (20 years)	302,200	0	302,200	0	302,200	0
Compensated Absences	0	221,260	113,082	(82,785)	251,557	62,871
<b>Water Fund Total</b>	<b>11,612,515</b>	<b>7,609,034</b>	<b>415,282</b>	<b>(655,485)</b>	<b>7,368,831</b>	<b>358,632</b>
<b>Water Pollution Control Fund:</b>						
3.25% 2005 O.W.D.A. Loan-Sewer Plant Upgrade (7/1/07-1/1/22)	6,088,332	4,918,391	0	(359,086)	4,559,305	370,851
2.67% 2006 O.W.D.A. Loan-Sewer Plant Equipment (7/1/07-1/1/27)	11,851,333	10,203,740	0	(499,524)	9,704,216	512,950
2009 0% OPWC Loan-Landfill Street Sewer Separation (30 years)	65,375	63,196	0	(2,179)	61,017	2,178
2009 1% O.W.D.A. Loan - Bio tower & Sewer Line (15 years)	2,753,629	1,821,251	765,641	0	2,586,892	0
2010 Refunding Bonds (2.0-2.75%) Water Pollution Control (20 years)	370,000	370,000	0	(13,680)	356,320	14,982
Compensated Absences	0	195,346	102,562	(114,765)	183,143	49,005
<b>Water Pollution Control Fund Total</b>	<b>21,128,669</b>	<b>17,571,924</b>	<b>868,203</b>	<b>(989,234)</b>	<b>17,450,893</b>	<b>949,966</b>
<b>Storm Drainage Fund:</b>						
2003 0% OPWC Loan-Mulberry Ave Storm Drainage (1/1/04-7/1/23)	47,888	29,931	0	(2,394)	27,537	2,394
2007 0% OPWC Loan-Grant Area Storm Drainage (1/1/08-7/31/27)	166,000	136,950	0	(8,300)	128,650	8,300
2009 0% OPWC Loan-Landfill Street Sewer Separation (30 years)	145,511	140,660	0	(4,851)	135,809	4,851
2010 Refunding Bonds (2.0-2.75%) Quinby Avenue (20 years)	480,000	480,000	0	(60,000)	420,000	60,000
2010 Refunding Bonds (2.0-2.75%) Storm Water (20 years)	720,000	720,000	0	(85,000)	635,000	85,000
Compensated Absences	0	25,356	15,190	(11,612)	28,934	7,356
<b>Storm Water Fund Total</b>	<b>1,559,399</b>	<b>1,532,897</b>	<b>15,190</b>	<b>(172,157)</b>	<b>1,375,930</b>	<b>167,901</b>
<b>Total Business-Type Activities</b>	<b>\$ 34,300,583</b>	<b>\$ 29,088,026</b>	<b>\$ 4,498,108</b>	<b>\$ (3,905,501)</b>	<b>\$ 29,680,633</b>	<b>\$ 3,853,998</b>

**CITY OF WOOSTER, OHIO**  
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	Original Amount	Balance 1/1/2011	Increases	(Decreases)	Balance 12/31/2011	Amount Due in 2012
<b>GOVERNMENTAL ACTIVITIES:</b>						
<b>Special Assessment:</b>						
1995 General Obligation Bond - 5.4-5.75% (Downtown/Oldman)	\$ 1,245,955	\$ 378,900	\$ 0	\$ (29,000)	\$ 349,900	\$ 31,400
1998 Special Assessment Bond - 6% - Buena Vista	13,234	7,165	0	(723)	6,442	768
1999 Special Assessment Bond - 6% - Oak Hill	106,048	37,836	0	(8,648)	29,188	9,168
1999 Special Assessment Bond - 6% - East Liberty	299,405	106,820	0	(24,418)	82,402	25,883
2000 Special Assessment Bond - 6% - Burbank/Friendsville	26,167	11,349	0	(2,013)	9,336	2,134
2007 Special Assessment Bond - 4.7% - Milltown Rd. Construction	337,361	274,871	0	(17,341)	257,530	18,193
<b>Special Assessment Total</b>	<u>2,028,170</u>	<u>816,941</u>	<u>0</u>	<u>(82,143)</u>	<u>734,798</u>	<u>87,546</u>
<b>Long Term Bonds:</b>						
2007 General Obligation Bond 4.87% - Milltown Road	492,667	420,127	0	(26,659)	393,468	27,807
2010 Refunding Bonds (2.0-2.75%) Municipal Building (20 years)	1,040,000	1,040,000	0	(125,000)	915,000	130,000
2010 Refunding Bonds (2.0-2.75%) Milltown Road (20 years)	385,000	385,000	0	(45,000)	340,000	50,000
2010 Refunding Bonds (2.0-2.75%) Beall Avenue (20 years)	1,066,000	1,066,000	0	(39,412)	1,026,588	43,166
2010 Refunding Bonds (2.0-2.75%) Beall Ave-Assessment (20 years)	694,000	694,000	0	(25,658)	668,342	28,102
<b>Long Term Bonds Total</b>	<u>3,677,667</u>	<u>3,605,127</u>	<u>0</u>	<u>(261,729)</u>	<u>3,343,398</u>	<u>279,075</u>
<b>Long Term Loans:</b>						
1998 0% OPWC Loan-Route 585 (1/19/1998 - 1/1/2014)	34,304	12,006	0	(1,715)	10,291	1,715
1998 0% OPWC Loan-East Liberty (9/18/1998 - 1/1/2018)	129,317	30,174	0	(8,621)	21,553	8,621
2007 0% OPWC Loan-East Milltown (7/1/2007 - 12/1/2018)	182,022	133,483	0	(12,135)	121,348	12,135
<b>Long Term Loans Total</b>	<u>345,643</u>	<u>175,663</u>	<u>0</u>	<u>(22,471)</u>	<u>153,192</u>	<u>22,471</u>
Compensated Absences	0	2,031,676	199,784	(117,553)	2,113,907	524,939
<b>Total Governmental Activities</b>	<u>\$ 6,051,480</u>	<u>\$ 6,629,407</u>	<u>\$ 199,784</u>	<u>\$ (483,896)</u>	<u>\$ 6,345,295</u>	<u>\$ 914,031</u>

**2010 Various Purpose Refunding Bonds**

In October 2010, the City issued \$7,975,000 general obligation bonds, \$2,625,000 of which were issued to partially refund \$2,595,000 (\$1,185,000 within enterprise funds and \$1,410,000 within governmental funds) of outstanding general obligation bonds and finance issuance costs. The balance was used to retire outstanding bond anticipation notes. The bonds were issued for an eight year period with final maturity at December 1, 2018. At the date of the refunding, \$2,645,946 (\$1,208,259 within enterprise funds and \$1,437,687 within governmental funds) were deposited in an irrevocable trust to provide for all future payments on the partially refunded bonds. As of December 31, 2011, \$2,305,000 of these bonds is considered defeased.

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The premium and issuance costs on these refunded bonds are insignificant amounts that have been recognized in the current year and will not be amortized. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$50,946, which is also insignificant and will not be amortized over future periods. The issuance resulted in an economic gain of \$181,542.

**NOTE 16 – FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 53,953	\$ 0	\$ 290,192	\$ 344,145
Total Nonspendable	53,953	0	290,192	344,145
Restricted for:				
Street Construction Maintenance and Repair	0	0	1,271,040	1,271,040
State Highway	0	0	382,511	382,511
Permissive Tax	0	0	1,002,067	1,002,067
Capital Improvement	0	757,033	0	757,033
Other Purposes	0	0	393,430	393,430
Total Restricted	0	757,033	3,049,048	3,806,081
Committed to:				
Economic Development	0	0	132,692	132,692
Economic/Downtown Loan	0	0	19,186	19,186
Total Committed	0	0	151,878	151,878
Assigned for:				
Encumbrances	2,702,135	0	0	2,702,135
Capital Improvement	0	0	529,059	529,059
Other Purposes	0	0	8,331	8,331
Total Assigned	2,702,135	0	537,390	3,239,525
Unassigned (Deficit)	8,834,862	0	(19,875)	8,814,987
Total Fund Balance	<u>\$ 11,590,950</u>	<u>\$ 757,033</u>	<u>\$ 4,008,633</u>	<u>\$ 16,356,616</u>