

**STATE OF OHIO  
DEPARTMENT OF DEVELOPMENT**

**LOCAL GOVERNMENT INNOVATION FUND  
PLANNING GRANT APPLICATION FOR:**

**REVIEW OF CITY OF WILMINGTON & CLINTON COUNTY  
PUBLIC SAFETY COMMUNICATIONS AND DISPATCH SERVICES**

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**SUBMITTED BY:**

**CITY OF WILMINGTON**

**CLINTON COUNTY COMMISSIONERS,  
ON BEHALF OF THE CLINTON COUNTY SHERIFF'S OFFICE**

**Tab 1: Applicant**

**City of Wilmington, population 12,520 (2010)**

**Mayor Randy Riley**

**69 N. South Street**

**Wilmington, Ohio 45177**

**937-382-5458**

**937-382-0931 (f)**

**mayor@ci.wilmington.oh.us**

**Tab 2: Collaborative Partners**

**Clinton County Commissioners, population 42,040 (2010)**

**President Pat Haley**

**46 S. South Street**

**Wilmington, Ohio 45177**

**937-382-2103**

**937-383-2884 (f)**

**commission@clintoncountyohio.us**

**Consultant:**

**Lycurgus Group, LLC**

**CEO Michael Taylor**

**President Michael McCann**

**222 E. Town Street, Suite 2W**

**Columbus, Ohio 43215**

**614-859-9570**

**www.lycurgusgroup.net**

**Tab 3: Project Proposal**

The City of Wilmington and Clinton County propose the following planning grant study for consideration of funding from the Local Government Innovation Fund (LGIF). The City and County (on behalf of the Clinton County Sheriff's Office) are working together to examine current dispatch and emergency/public safety communication systems to determine if potential synergies may exist that would allow shared services for the City and County.

Currently, the City of Wilmington and the Clinton County Sheriff's Office maintain separate dispatch services which are not linked, furthermore- other villages in the County have various arrangements for dispatch services- some provided by the City of Wilmington, others by the Sheriff as a right or service and others by the Sheriff under contract.

The City of Wilmington and Clinton County will potentially contract the services of The Lycurgus Group, a Columbus based investigative and public safety consulting group. Members of the Lycurgus Group include formerly-commissioned law enforcement officers and attorneys who have served as prosecutors and in other government positions. In order to develop appropriate recommendations for public safety communications and dispatch services, the Lycurgus group will employ best practices analysis and compare approximately same size communities to assist decisions-makers in developing appropriate public safety communications and dispatch service plans following an evidence-based policing model.

This study would clarify and analyze all the existing contracts, systems, and protocols currently in use countywide, related to dispatch and communications for fire, police and EMS services and the various organizations. This study is expected to provide a comprehensive overview of the public safety dispatch and compare and contrast the systems and protocols to objectively determine potential areas for greater collaboration and potential for shared service opportunities.

This proposal seeks an objective evaluation and recommendation for shared service collaboration which is the important first step towards meaningful efforts, it is expected that these recommendations will allow the implementation of a shared service for the City and County which will be a savings for both local governments, and perhaps involve other local governments in Clinton County as well. We anticipate that the tasks set forth in this proposal can be completed efficiently and effectively in twelve months at a cost of \$48,350.00.

## Return on Investment (ROI)

The exact ROI for this project is difficult to determine, we anticipate the results of the study and plan, which is a first ever in Clinton County, will allow an exact understanding of the ROI for the recommended actions- which may include collaboration and/or efficiency changes to the existing system and protocols. Since dispatch is a significant cost for the City of Wilmington (as noted in the attached budgets), the success implementation of a shared service model would also have a significant ROI if properly implemented.

The results of this study and their implementation will directly impact the City of Wilmington and Clinton County's competitiveness in economic development. One of the major issues facing redevelopment of the Wilmington Air Park is public safety response and vehicles which has been highlighted by the FAA as needing to be addressed in the near future as noted in the recently completed Wilmington Air Park Master Plan.\* The recommendations of this study from the analysis of dispatch procedures and service areas will help address the competitiveness of key economic driver facilities like the Air Park in our community as well as address local government costs.

## Cost Saving Benchmarking

A 2010 survey conducted by the APCO Consolidated Center Directors Network (CCDN) highlighted the potential benefits from consolidation of public safety communications and dispatch services.† In response to the survey, over 47% of respondents stated that they were motivated to consolidation because research suggested economic benefits and 45% of the respondents stated that they were motivated by suggested operational benefits. Additional benefits over the long-term included the efficiency and accountability presented by having a single point of contact and control.

Public safety communications and dispatch savings/synergies have been benchmarked by various agencies and organizations nationally, and many communities have explored or undertaken shared services in this sector because it is commonly considered a potential opportunity for benchmarked savings. But the agreement and structure of the shared service will be key to ensuring actual long term savings for the City and County- this objective study and assessment funded by this LGIF request is the key first step to implementing this important effort.

The greatest challenges to consolidation are personnel issues, such as training and the consolidation of different staffs and unions, and securing "buy-in" by the affected agencies, including dealing with interagency rivalry and politics. This objective study of the systems and

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\* [http://www.wilmingtonairparkplan.com/pdf/Wilmington\\_Air\\_Park\\_Final\\_Plan\\_ExecSum.pdf](http://www.wilmingtonairparkplan.com/pdf/Wilmington_Air_Park_Final_Plan_ExecSum.pdf)

† <http://www.apco911.org/new/commcenter911/downloads/CCDN%20Consolidation%20Survey%20Report.pdf>

protocols is essential in the justification and political buy in which will be critical to implementation.

#### Probability of Implementation & Potential Savings

The City of Wilmington and Clinton County are committed to seriously examining the recommendations of this objective study. Both the City and County are currently facing significant budget challenges and must be creative in addressing budgets.

Although it is difficult to measure the exact expected cost savings, one of the key study deliverables without the study, it is expected that the cost saving opportunities can exceed 75% from baseline data. The City of Wilmington currently spends over \$500,000 annually for dispatch services and public safety comprises over 50% of the City's general fund- a combination or shared service with the County, along with the renegotiation of other arrangements within the County, could reduce the costs to local governments significantly since the majority of the expense is in personnel.

#### Percentage of Local Matching Funds

The City of Wilmington is committing a 10% cash match for this application.

#### Scalability & Larger Consolidation Efforts

As the City and County provide dispatch and public safety communications by contract and by right in various areas of Clinton County and for other Villages, the recommendations of this study also has the potential impact of collaborations for all of the other political subdivisions within the County as well.

This planning study will be the first ever objective study of collaboration/consolidation of shared services in Clinton County. We are confident that dispatch and public safety communications is perhaps one of the easiest and most logical collaboration opportunities- and hope that with success in this effort, there will be continued discussions and opportunities for other shared service and collaborations in the future.

#### Response to Economic Demand

*City of Wilmington & Clinton County  
Local Government Innovation Fund Planning Grant Proposal*

To further quantify economic need, as noted in the attached report from Moody's Investor's Service, is a summary regarding the financial condition of the City of Wilmington. Income tax receipts comprise over 50% of the City of Wilmington's general fund revenues, and those receipts were down 37% in FY'10 from FY'09. Public safety (police, EMS, and fire) comprise more than 50% of the City general fund- thus a shared service effort in this sector will have a significant impact on City revenues. The City of Wilmington and Clinton County have been especially hard hit by the current economic climate, as noted being labeled 'ground zero of the great recession' and having spent many months with some of the highest unemployment rates in the State- the rate peak at 18.7%\* but has since improved to 11.1%, still significantly higher than the State and national unemployment averages.

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\* <http://www.wnewsj.com/main.asp?SectionID=49&SubSectionID=156&ArticleID=184259>

**Tab 3 (cont): Brief Project Description**

The Lycurgus Group's planning process method has been adopted in part from the 11-step International Association of Chiefs of Police (IACP) Information Integration Planning Model.\*

*Step 1: Bringing Key Stakeholders Together*

The Leadership of all affected agencies and political leadership should be provided the opportunity at the very beginning to meet with staff to understand the need and vision for consolidation and to provide feedback from an industry perspective about the challenges to overcome and the most effective practices to follow.

*Step 2: Developing a Governance Structure*

A Steering Committee, composed of representatives of the key stakeholders, should be established to provide the grassroots ownership and direction.

*Step 3: Developing the Decision-Making Process*

The Steering Committee provides overall direction for the project. With input from a policy subcommittee, the steering committee should approve all policies regarding the consolidated dispatch services, auditing of the system's use; data ownership, submission, retention, dissemination and security rules; and the participation agreement that each participating agency is required to sign.

*Step 4: Developing Goals*

Operational and strategic goals are established to achieve the vision and mission statements.

*Step 5: Determining the Project's Scope*

The consolidation project will be focused on sharing resources among all local Clinton County law public safety agencies. Technical standards must be developed that will allow for integration.

*Step 6: Completing the Needs Assessment*

A survey of all affected agencies, political leadership, and community representatives will determine current methods and effectiveness.

*Step 7: Creating the Dispatch System*

In order to gain the support and participation of affected agencies, a strategic planning session will help develop the vision and mission and solicit input and suggestions.

*Step 8: Assess Costs and Securing Funding*

Sources of funding for the initial costs of consolidation must be identified. Possible sources include agency funds or grants. Once established, a method of support from the multiple affected agencies must be identified and accepted.

*Step 9: Implementing the System*

The affected agencies must transition services to the new system. Project updates, technical information, and policies should be made easily available through a secure website or other efficient system to disseminate information.

*Step 10: Informing and Educating the Community*

Communication of the project goals and accomplishments is an ongoing process. In addition to the strategic planning sessions held with local leadership early in the project, additional regional meetings are scheduled, a web site may be created, and regional media briefings may be held periodically to inform the public of local agencies that are participating.

*Step 11: Evaluating and Maintaining the System*

The consolidated system must be designed to allow local public safety agencies to retain their existing structure and policies.

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\* Available at: [http://it.ojp.gov/BJA\\_cd/pdfs/Bureau/13cjinforsharing.pdf](http://it.ojp.gov/BJA_cd/pdfs/Bureau/13cjinforsharing.pdf)

*City of Wilmington & Clinton County  
Local Government Innovation Fund Planning Grant Proposal*

In order to determine the feasibility of consolidating public safety communications and dispatch services for Clinton County, examining police, fire and EMS processes, the project team will be required to:

1. Review, summarize, and assess the existing research on the costs, benefits, and challenges presented by consolidation of public safety communications and dispatch services in other jurisdictions.
2. Review, summarize, and assess the costs, benefits, and challenges presented by consolidation of public safety communications and dispatch services in jurisdictions with similar size and population as Clinton County.
3. Review, summarize, and assess Ohio and Federal law governing the provision of public safety communications and dispatch services.
4. Develop a project team of appropriate users and stakeholders to oversee and participate in the project.
  - a. Conduct a Project Planning Meeting with Project Manager and the Department's key project personnel.
  - b. Obtain and review documentation provided by the project team pertaining to this project, such as existing public safety communications and dispatch services documentation, equipment inventories, detailed call volume statistics, community development plans, service contracts, surveys, risk assessments, capital improvement plans, previous studies and annual reports.
  - c. Develop and distribute public safety communications and dispatch services operations questionnaires to assist the Lycurgus Group in gaining an understanding of the current public safety communications and dispatch services environment.
5. Assess the current public safety communications and dispatch services operations and develop future needs analysis by performing interviews and on-site observations. Interviews and observations may be conducted with a variety of personnel and local leadership.
6. Review, summarize, and assess the following issues facing local public safety agencies: Current public safety communications and dispatch services operations, staffing and levels of service, workload, call volume and activity, current and anticipated budget issues, current and future facility needs, advantages and disadvantages of local consolidation, etc.
7. Review present workflows and processes to analyze and develop potential organizational and operational requirements. This review will be based on criteria developed by the Center for Public Safety Excellence.
8. Determine any changes, or future trends, for public safety industry standards related to public safety communications and dispatch operational requirements.
9. Review compliance with factors and standards developed by appropriate review and accreditation agencies.
10. Develop a comprehensive and detailed set of recommendations for public safety communications and dispatch in Clinton County. In developing the recommendations, the Lycurgus Group will utilize the information provided by the documentation received, interviews conducted, and on site observations. Recommendations likely will include: current operations, staffing and levels of service, workload, call volume and activity, governance and administration, assessment and planning, physical resources, human resources, training and competency, essential resources, external system relations, current and anticipated budget issues, current and future facility needs, service delivery in regard to national standards, advantages and disadvantages of local consolidation, funding source(s) to sustain operations and future service delivery, and review of future staffing needs.

**Tab 4: City of Wilmington Financial Information**

**Please see the attached last 3 years (2008-2010) City of Wilmington audited financial statements**

**&**

**City of Wilmington public safety dispatch financial summaries for the last 3 years (2008-2010)**

**Tab 5: Supporting Documentation**

**Please see attached Clinton County ODOD Profile with 2010 Census information listed**

**Please see attached the LGIF Self Scoring Sheet**

**Please see attached economic condition assessment of the City of Wilmington by Moody's  
Financial Services**

**Resolutions of Support and Authorization- forthcoming**

# **City of Wilmington, Ohio**

Basic Financial Statements

Year Ended December 31, 2008

With Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Honorable Mayor and Members of City Council  
City of Wilmington  
69 North South Street  
Wilmington, Ohio 45177

We have reviewed the *Independent Auditors' Report* of the City of Wilmington, Clinton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 2, 2009

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## INDEPENDENT AUDITORS' REPORT

To City Council  
City of Wilmington, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and pages 47 through 51, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
July 6, 2009

## **CITY OF WILMINGTON, OHIO**

### **CLINTON COUNTY**

Management's Discussion and Analysis

For the Year Ended December 31, 2008

Unaudited

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#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

#### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2008 are as follows:

- Total net assets of the City increased by \$913,401 during 2008 consisting of a \$2.2 million increase in governmental activities and a \$1.3 million decrease in business-type activities.
- The General Fund had an increase in fund balance of \$1,723,352, a 63.9% increase from the prior year.
- Proprietary fund operations posted operating loss of \$483,968 due primarily to the \$508,607 expense reported during the year for the estimated cost of closing and maintaining the City's landfill.
- General Fund actual revenue amounts exceeded budgeted amounts while actual expenditures were less than the budgeted amounts. The General Fund reported a \$705,449 increase in the budgetary fund balance for the year.

#### **USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

#### **REPORTING THE CITY AS A WHOLE**

*Statement of Net Assets and the Statement of Activities*

"How did the City of Wilmington do financially in 2008?" The broad answer to this question can be obtained with a look at the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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These two statements report the City's net assets and the change in those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- **Governmental Activities** – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.
- **Business-Type Activities** – These services include water, sewer, and waste. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

### **Reporting the City's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial statements, beginning on page 13, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

*Governmental Funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available in the near future to finance City programs. We detail the relationship between net assets of governmental activities, as reported in the Statement of Net Assets and the Statement of Activities, and governmental fund balances in a reconciliation on pages 14 and 16.

*Proprietary Funds* – City utility services for water, sewer and waste are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Assets and the Statement of Activities and reported in much the same manner as the governmental funds. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

*Fiduciary Funds* – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 21. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 22.

**THE CITY AS A WHOLE**

The following table provides a summary of the City's net assets for 2008 as compared to 2007.

**Table 1**  
Net Assets, December 31,

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>						
Current and Other						
Assets	\$ 10,917,249	9,108,211	20,025,460	10,659,789	9,212,703	19,872,492
Capital Assets	<u>17,387,497</u>	<u>37,338,359</u>	<u>54,725,856</u>	<u>16,775,462</u>	<u>38,505,302</u>	<u>55,280,764</u>
Total Assets	<u>28,304,746</u>	<u>46,446,570</u>	<u>74,751,316</u>	<u>27,435,251</u>	<u>47,718,005</u>	<u>75,153,256</u>
<b>Liabilities:</b>						
Current and Other						
Liabilities	3,703,362	271,196	3,974,558	4,683,976	251,396	4,935,372
Long-term Liabilities	<u>6,688,133</u>	<u>20,645,769</u>	<u>27,333,902</u>	<u>7,072,067</u>	<u>20,616,362</u>	<u>27,688,429</u>
Total Liabilities	<u>10,391,495</u>	<u>20,916,965</u>	<u>31,308,460</u>	<u>11,756,043</u>	<u>20,867,758</u>	<u>32,623,801</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	10,499,997	20,071,572	30,571,569	9,195,462	20,685,557	29,881,019
Restricted	509,388	1,241,838	1,751,226	457,519	1,478,638	1,936,157
Unrestricted	<u>6,903,866</u>	<u>4,216,195</u>	<u>11,120,061</u>	<u>6,026,227</u>	<u>4,686,052</u>	<u>10,712,279</u>
Total Net Assets	<u>\$ 17,913,251</u>	<u>25,529,605</u>	<u>43,442,856</u>	<u>15,679,208</u>	<u>26,850,247</u>	<u>42,529,455</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2008, the City's net assets were \$43.4 million. Of this amount, \$30.6 million was invested in capital assets and \$1.8 million was subject to external restrictions for its use. The remaining amount, \$11.1 million, was unrestricted and available for future use as directed by City Council and the City administration.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

In total, net assets of the City increased by \$913,401. The governmental activities increased by \$2,234,043 and business-type activities decreased by \$1,320,642 during 2008. The increase in the governmental activities is due primarily to increase in income taxes received during the year as 2008 was the first year the Air Park was annexed into the City. The decrease in the business-type activities was due to the increase in the estimated cost of closing and maintaining the City's landfill and depreciation expense on the capital assets of the enterprise funds exceeding current year additions by a significant amount.

The following table provides a summary of the City's changes in net assets for 2008 as compared to 2007.

**Table 2**  
Change in Net Assets, December 31,

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,906,186	7,542,497	10,448,683	2,571,179	7,793,943	10,365,122
Operating Grants and Contributions	1,959,049	-	1,959,049	2,793,668	-	2,793,668
Capital Grants and Contributions	165,047	-	165,047	706,975	-	706,975
General Revenues:						
Property Taxes	2,164,065	-	2,164,065	2,017,633	-	2,017,633
Municipal Income Taxes	6,672,722	-	6,672,722	4,599,161	-	4,599,161
Grants and Contributions not Restricted	1,323,801	-	1,323,801	1,106,944	-	1,106,944
Investment Income	168,013	277,231	445,244	308,525	312,004	620,529
Other Revenue	1,114,617	50,458	1,165,075	803,648	-	803,648
Total Revenue	<u>16,473,500</u>	<u>7,870,186</u>	<u>24,343,686</u>	<u>14,907,733</u>	<u>8,105,947</u>	<u>23,013,680</u>
Expenses:						
General Government	4,695,493	-	4,695,493	5,367,541	-	5,367,541
Security of Persons & Property	5,316,867	-	5,316,867	4,321,847	-	4,321,847
Public Health and Welfare Services	380,559	-	380,559	633,764	-	633,764
Leisure Time Activities	806,202	-	806,202	687,491	-	687,491
Transportation	2,990,680	-	2,990,680	2,453,297	-	2,453,297
Water	-	3,353,409	3,353,409	-	3,554,044	3,554,044
Sewer	-	2,922,146	2,922,146	-	2,460,134	2,460,134
Waste	-	2,652,044	2,652,044	-	3,449,734	3,449,734
Interest Expense	312,885	-	312,885	320,466	-	320,466
Total Expenses	<u>14,502,686</u>	<u>8,927,599</u>	<u>23,430,285</u>	<u>13,784,406</u>	<u>9,463,912</u>	<u>23,248,318</u>
Transfers	263,229	(263,229)	-	-	-	-
Increase (Decrease) in Net Assets	2,234,043	(1,320,642)	913,401	1,123,327	(1,357,965)	(234,638)
Net Assets, Beginning of Year	<u>15,679,208</u>	<u>26,850,247</u>	<u>42,529,455</u>	<u>14,555,881</u>	<u>28,208,212</u>	<u>42,764,093</u>
Net Assets, End of Year	<u>\$ 17,913,251</u>	<u>25,529,605</u>	<u>43,442,856</u>	<u>15,679,208</u>	<u>26,850,247</u>	<u>42,529,455</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

***Governmental Activities***

The three functions with the largest expenditures are Security of Persons and Property, General Government, and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$2,870,057 after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving \$1,136,052 in property tax revenues, we see that approximately 26% of the net expense of \$4,332,588 is paid by property tax revenues with the remaining 74% paid by income taxes, grants and other revenue. The third function, Transportation, covers the roads and streets of the City, which reports a net loss for 2008 of \$945,475 due to the decrease in operating and capital grants received in the current year compared to the prior year. As indicated in Table 3, total governmental expenses increased by \$718,280, which represents a 5.2% increase.

***Business-Type Activities***

Overall, the City's business-type activities generated \$7.5 million of revenues, which fell short of the cost of doing business by \$1.4 million. While the Sewer operation reported an increase in net assets for the year, both the Water and Waste Funds reported decreases in net assets of \$0.4 million and \$1.0 million, respectively, in 2008. In addition to the normal increases in the cost of doing business experienced, the Waste Fund reported a \$500,000 expense due to the increase in the estimated liability for the closing of the City's landfill as well as costs associated with the post-closure maintenance of the site.

**Table 3**  
**Total and Cost of Program Services**

	<b>2008</b>		<b>2007</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 4,695,493	(2,870,057)	5,367,541	(3,895,283)
Security of Persons & Property	5,316,867	(4,332,588)	4,321,847	(2,743,740)
Public Health & Welfare Services	380,559	(207,197)	633,764	(208,913)
Leisure Time Activities	806,202	(804,202)	687,491	(687,446)
Transportation	2,990,680	(945,475)	2,453,297	143,264
Interest Expense	312,885	(312,885)	320,466	(320,466)
Total	<u>\$ 14,502,686</u>	<u>(9,472,404)</u>	<u>13,784,406</u>	<u>(7,712,584)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 3,353,409	(286,178)	3,554,044	(146,010)
Sewer	2,922,146	(61,688)	2,460,134	332,512
Waste	<u>2,652,044</u>	<u>(1,037,236)</u>	<u>3,449,734</u>	<u>(1,856,471)</u>
Total	<u>\$ 8,927,599</u>	<u>(1,385,102)</u>	<u>9,463,912</u>	<u>(1,669,969)</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted federal and state entitlement grants. While general revenues were more than sufficient to cover the total net cost of service for the governmental activities, the business-type activities reported a decrease in net assets for the year totaling \$1.3 million.

### **THE CITY'S FUNDS**

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$6.3 million, of which \$5.8 million is unreserved. The total governmental funds balance of all governmental funds increased by \$1.3 million during 2008.

The General Fund balance increased by \$1.7 million, caused by a 8.1% decrease in expenditures reported for 2008 as compared with those from the prior year and a \$2.2 million increase in income taxes for the year due to the annexation of the Wilmington Air Park at the beginning of 2008. These increases were somewhat offset by the \$625,000 increase in the transfers out of the general fund during the year.

The Police Fund's balance remained relatively unchanged, increasing by \$16,425 from the balance reported one year prior.

Governmental fund expenditures showed a decrease from 2007 of \$613,058 or 3.8%. The largest decrease in expenditures (\$853,445) was reported for capital outlay expenditures. The decrease in capital outlay relates to the completion of the Davids Drive and Lowes Drive projects in the prior year.

Explanation of the changes in the major enterprise funds of the City follow the same explanation as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same basis used in the City-wide statements.

#### ***General Fund Budgeting Highlights***

The General Fund's final budgeted revenues were \$10.4 million while actual revenues exceeded this amount by \$338,451 for the year. The revenues budgeted to be received were in line with what was anticipated to be received. Original revenue estimates were increased during the year as tax receipts and amounts received for charges for services were coming in higher than originally expected.

Final budgeted amounts for expenditures and other financing uses were \$11.4 million while actual budgetary expenditures and other financing uses amounted to \$10.0 million. Actual expenditures were lower than the original budget.

The total increase in budgetary fund balance for the General Fund was \$705,499 for the year.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

**Table 4**  
Capital Assets

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,569,198	1,640,927	4,210,125	2,569,198	1,640,927	4,210,125
Infrastructure	3,538,413	-	3,538,413	1,278,552	-	1,278,552
Buildings	8,871,491	19,428,300	28,299,791	8,871,491	19,428,300	28,299,791
Improvements	528,287	25,670,196	26,198,483	175,347	25,670,196	25,845,543
Equipment	2,895,750	7,234,997	10,130,747	2,844,972	6,961,888	9,806,860
Vehicles	6,594,611	1,386,357	7,980,968	6,030,178	1,345,485	7,375,663
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Construction in Progress	-	402,820	402,820	1,715,130	-	1,715,130
Less:						
Accumulated Depreciation	(7,635,306)	(18,425,238)	(26,060,544)	(6,734,459)	(16,541,494)	(23,275,953)
Totals	\$ <u>17,387,497</u>	<u>37,338,359</u>	<u>54,725,856</u>	<u>16,775,462</u>	<u>38,505,302</u>	<u>55,280,764</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2008, amounts to \$54.7 million (net of accumulated depreciation). This investment in capital assets includes: land; construction in progress; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, decreased by \$554,908, which is 1.0%. Governmental activity capital assets, net of accumulated depreciation, reflect a net increase during the year of \$612,035. Depreciation expense for the year totaled \$928,974. Capital assets, net of accumulated depreciation in the business-type activities decreased \$1,166,943 as a result of depreciation expense recognized exceeding the cost of assets acquired during the year. See Note 7 to the basic financial statements for additional details on capital assets.

***Debt Administration***

At December 31, 2008, the City had total bonded debt in the amount of \$23.7 million, of which \$1.0 million is due within one year. Of the total bonded debt amount, \$6.0 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$17.7 million being mortgage revenue bonds for waterworks improvements and sewer bond refunding. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$101,820 with \$2,141 being due within one year.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property.

See Note 11 to the basic financial statements for additional details on the long-term debt of the City.

**CITY OF WILMINGTON, OHIO**

**CLINTON COUNTY**

Management's Discussion and Analysis

For the Year Ended December 31, 2008

Unaudited

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**CONTACTING THE CITY'S FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact City Auditor, City of Wilmington, 69 North South Street, Wilmington, Ohio 45177.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Net Assets  
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,260,104	\$ 7,187,593	\$ 12,447,697
Receivables			
Taxes	4,459,126	-	4,459,126
Accounts	275,627	678,780	954,407
Loans Receivable	275,672	-	275,672
Accrued Interest	108	-	108
Due from Other Governments	646,612	-	646,612
Restricted Assets:			
Cash and Cash Equivalents	-	1,241,838	1,241,838
Capital Assets:			
Capital Assets not subject to depreciation			
Land and Construction in Progress	2,569,198	2,043,747	4,612,945
Capital Assets, net of accumulated depreciation	<u>14,818,299</u>	<u>35,294,612</u>	<u>50,112,911</u>
 Total Assets	 <u>28,304,746</u>	 <u>46,446,570</u>	 <u>74,751,316</u>
<b>LIABILITIES:</b>			
Accounts Payable	375,052	119,838	494,890
Accrued Wages and Benefits	349,131	81,472	430,603
Accrued Interest Payable	122,846	69,886	192,732
Unearned Revenue	2,141,333	-	2,141,333
Bond Anticipation Notes Payable	715,000	-	715,000
Noncurrent Liabilities:			
Due Within One Year	448,772	728,098	1,176,870
Due In More than One Year	<u>6,239,361</u>	<u>19,917,671</u>	<u>26,157,032</u>
 Total Liabilities	 <u>10,391,495</u>	 <u>20,916,965</u>	 <u>31,308,460</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Debt	10,499,997	20,071,572	30,571,569
Restricted for:			
Security of Persons & Property	200,119	-	200,119
Debt Service	274,269	-	274,269
Utility Debt Service	-	1,241,838	1,241,838
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>6,903,866</u>	<u>4,216,195</u>	<u>11,120,061</u>
 Total Net Assets	 <u>\$ 17,913,251</u>	 <u>\$ 25,529,605</u>	 <u>\$ 43,442,856</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Statement of Activities  
For the Year Ended December 31, 2008

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 4,695,493	\$ 1,607,769	\$ 217,667	\$ -	\$ (2,870,057)		\$ (2,870,057)
Security of Persons & Property	5,316,867	980,779	3,500	-	(4,332,588)		(4,332,588)
Public Health & Welfare Services	380,559	14,698	158,664	-	(207,197)		(207,197)
Leisure Time Activities	806,202	2,000	-	-	(804,202)		(804,202)
Transportation	2,990,680	300,940	1,579,218	165,047	(945,475)		(945,475)
Interest Expense	312,885	-	-	-	(312,885)		(312,885)
Total Governmental Activities	14,502,686	2,906,186	1,959,049	165,047	(9,472,404)		(9,472,404)
<b>Business-Type Activities:</b>							
Water	3,353,409	3,067,231	-	-		(286,178)	(286,178)
Sewer	2,922,146	2,860,458	-	-		(61,688)	(61,688)
Waste	2,652,044	1,614,808	-	-		(1,037,236)	(1,037,236)
Total Business-Type Activities	8,927,599	7,542,497	-	-		(1,385,102)	(1,385,102)
<b>Total</b>	<b>\$ 23,430,285</b>	<b>\$ 10,448,683</b>	<b>\$ 1,959,049</b>	<b>\$ 165,047</b>	<b>(9,472,404)</b>	<b>(1,385,102)</b>	<b>(10,857,506)</b>
<b>General Revenues:</b>							
Municipal income taxes, levied for:							
General purposes					5,338,178	-	5,338,178
Capital projects					1,334,544	-	1,334,544
Property Taxes Levied for:							
General purposes					542,619	-	542,619
Security of persons & property					1,136,052	-	1,136,052
Street lighting					184,572	-	184,572
Leisure time activities					300,822	-	300,822
Grants and Contributions not Restricted to Specific Programs					1,323,801	-	1,323,801
Investment earnings					168,013	277,231	445,244
Miscellaneous					1,114,617	50,458	1,165,075
Transfers					263,229	(263,229)	-
Total General Revenues and Transfers					11,706,447	64,460	11,770,907
Change in Net Assets					2,234,043	(1,320,642)	913,401
Net Assets, Beginning of Year					15,679,208	26,850,247	42,529,455
Net Assets, End of Year					\$ 17,913,251	\$ 25,529,605	\$ 43,442,856

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Governmental Funds  
December 31, 2008

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,837,042	\$ 32,710	\$ 2,390,352	\$ 5,260,104
Receivables:			-	
Taxes	2,966,774	299,913	1,192,439	4,459,126
Accounts	161,778	72	113,777	275,627
Loans Receivable	-	-	275,672	275,672
Accrued Interest	108	-	-	108
Due from Other Governments	<u>289,062</u>	<u>6,782</u>	<u>350,768</u>	<u>646,612</u>
 Total Assets	 <u>\$ 6,254,764</u>	 <u>\$ 339,477</u>	 <u>\$ 4,323,008</u>	 <u>\$ 10,917,249</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 249,085	\$ 22,901	\$ 103,066	\$ 375,052
Accrued Wages and Benefits	66,117	41,602	241,412	349,131
Deferred Revenue	1,519,487	306,695	1,347,786	3,173,968
Bond Anticipation Notes Payable	<u>-</u>	<u>-</u>	<u>715,000</u>	<u>715,000</u>
 Total Liabilities	 <u>1,834,689</u>	 <u>371,198</u>	 <u>2,407,264</u>	 <u>4,613,151</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances	167,266	23,412	9,447	200,125
Loans Receivable	-	-	275,672	275,672
Permanent Fund	-	-	35,000	35,000
Unreserved, Undesignated:				
General Fund	4,252,809	-	-	4,252,809
Special Revenue Funds	-	(55,133)	1,425,580	1,370,447
Debt Service Funds	-	-	161,567	161,567
Capital Projects Fund	-	-	4,129	4,129
Permanent Fund	<u>-</u>	<u>-</u>	<u>4,349</u>	<u>4,349</u>
 Total Fund Balances	 <u>4,420,075</u>	 <u>(31,721)</u>	 <u>1,915,744</u>	 <u>6,304,098</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,254,764</u>	 <u>\$ 339,477</u>	 <u>\$ 4,323,008</u>	 <u>\$ 10,917,249</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2008

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Total Governmental Fund Balances	\$ 6,304,098
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,387,497
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,032,635
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:	
Police and Fire Pension Obligations	(101,820)
General Obligation Bonds Payable	(5,970,000)
Accrued Interest on Long-Term Debt	(122,846)
Compensated Absences	<u>(616,313)</u>
Net Assets of Governmental Activities	<u>\$ 17,913,251</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2008

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES;</b>				
Property Taxes	\$ 537,964	\$ 301,564	\$ 1,174,471	\$ 2,013,999
Municipal Income Taxes	6,647,497	-	-	6,647,497
Intergovernmental	1,541,468	-	2,011,204	3,552,672
Charges for Services	1,361,570	12	291,506	1,653,088
Licenses and Permits	32,356	-	-	32,356
Fees, Fines and Forfeitures	825,125	10,811	248,205	1,084,141
Special Assessments	136,601	-	184,572	321,173
Investment Income	142,158	-	25,855	168,013
Other Revenue	211,918	22,118	880,581	1,114,617
	<u>11,436,657</u>	<u>334,505</u>	<u>4,816,394</u>	<u>16,587,556</u>
<b>Total Revenues</b>				
<b>EXPENDITURES:</b>				
Current:				
General Government	4,476,254	-	367,225	4,843,479
Security of Persons & Property	-	2,389,678	2,527,594	4,917,272
Transportation	-	-	2,728,044	2,728,044
Public Health & Welfare Services	-	-	380,559	380,559
Leisure Time Activities	-	-	765,266	765,266
Capital Outlay	50,495	149,402	974,200	1,174,097
Debt Service:				
Principal	-	-	377,053	377,053
Interest	-	-	323,465	323,465
	<u>4,526,749</u>	<u>2,539,080</u>	<u>8,443,406</u>	<u>15,509,235</u>
<b>Total Expenditures</b>				
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>6,909,908</u>	<u>(2,204,575)</u>	<u>(3,627,014)</u>	<u>1,078,319</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	2,221,000	3,275,259	5,496,259
Transfers Out	(5,186,556)	-	(46,474)	(5,233,030)
	<u>(5,186,556)</u>	<u>2,221,000</u>	<u>3,228,785</u>	<u>263,229</u>
<b>Total Other Financing Sources (Uses):</b>				
Net Change in Fund Balance	1,723,352	16,425	(398,227)	1,341,550
Fund Balance, Beginning of Year	<u>2,696,723</u>	<u>(48,146)</u>	<u>2,313,971</u>	<u>4,962,548</u>
Fund Balance, End of Year	<u>\$ 4,420,075</u>	<u>\$ (31,721)</u>	<u>\$ 1,915,744</u>	<u>\$ 6,304,098</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

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, 2008

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Total Change in Fund Balances - Governmental Funds \$ 1,341,550

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

Governmental fund report capital outlays as expenditures.

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

Capital Asset Additions	1,549,805
Depreciation	(928,974)

In the statement of activities the loss on the disposal or sale of capital  
assets is reported. In the fund statements, only the proceeds from the  
sale are reported. (8,796)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues on the funds. (114,056)

Repayment of long-term debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets 377,053

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:

Compensated Absences	6,881
Accrued Interest Payable	<u>10,580</u>

Change in Net Assets of Governmental Activities \$ 2,234,043

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**

**CLINTON COUNTY**

Balance Sheet

Proprietary Funds

December 31, 2008

	Water Fund	Sewer Fund	Waste Fund	Total
<b>ASSETS:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,637,399	\$ 3,326,201	\$ 223,993	\$ 7,187,593
Receivables				
Accounts	260,598	235,383	182,799	678,780
Restricted Assets:				
Cash and Cash Equivalents	470,426	771,412	-	1,241,838
 Total Current Assets	 4,368,423	 4,332,996	 406,792	 9,108,211
Capital Assets:				
Land and Construction in Progress	1,145,792	184,314	713,641	2,043,747
Capital Assets, net of accumulated depreciation	20,816,837	12,280,527	2,197,248	35,294,612
 Total Capital Assets	 21,962,629	 12,464,841	 2,910,889	 37,338,359
 Total Assets	 \$ 26,331,052	 \$ 16,797,837	 \$ 3,317,681	 \$ 46,446,570
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 48,022	\$ 43,609	\$ 28,207	\$ 119,838
Accrued Wages and Benefits	27,001	29,973	24,498	81,472
Accrued Compensated Absences	27,991	49,205	20,902	98,098
Accrued Interest Payable	28,813	41,073	-	69,886
Mortgage Revenue Bonds Payable - current	465,000	165,000	-	630,000
 Total Current Liabilities	 596,827	 328,860	 73,607	 999,294
Noncurrent Liabilities:				
Accrued Compensated Absences	55,973	94,691	48,841	199,505
Postclosure Care	-	-	3,579,600	3,579,600
Mortgage Revenue Bonds Payable	15,090,000	1,955,000	-	17,045,000
Accrued Bond Premium	44,393	-	-	44,393
Deferred Amount on Refunding	(452,606)	-	-	(452,606)
Unamortized Bond Issue Costs	(498,221)	-	-	(498,221)
 Total Noncurrent Liabilities	 14,239,539	 2,049,691	 3,628,441	 19,917,671
 Total Liabilities	 14,836,366	 2,378,551	 3,702,048	 20,916,965
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	6,815,842	10,344,841	2,910,889	20,071,572
Restricted for:				
Utility Debt Service	470,426	771,412	-	1,241,838
Unrestricted	4,208,418	3,303,033	(3,295,256)	4,216,195
 Total Net Assets	 11,494,686	 14,419,286	 (384,367)	 25,529,605
 Total Liabilities and Net Assets	 \$ 26,331,052	 \$ 16,797,837	 \$ 3,317,681	 \$ 46,446,570

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenses and  
Changes in Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2008

	Water Fund	Sewer Fund	Waste Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 3,067,231	\$ 2,860,458	\$ 1,614,808	\$ 7,542,497
Other Revenue	<u>38,492</u>	<u>11,319</u>	<u>647</u>	<u>50,458</u>
Total Operating Revenues	<u>3,105,723</u>	<u>2,871,777</u>	<u>1,615,455</u>	<u>7,592,955</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	924,315	943,576	990,959	2,858,850
Contractual Services	342,676	499,550	507,537	1,349,763
Materials and Supplies	710,656	475,827	288,018	1,474,501
Depreciation	679,638	847,184	356,922	1,883,744
Closure and Postclosure Care	-	-	508,608	508,608
Other Expenses	<u>1,457</u>	<u>-</u>	<u>-</u>	<u>1,457</u>
Total Operating Expenses	<u>2,658,742</u>	<u>2,766,137</u>	<u>2,652,044</u>	<u>8,076,923</u>
Operating Income (Loss)	<u>446,981</u>	<u>105,640</u>	<u>(1,036,589)</u>	<u>(483,968)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment Income	149,739	127,492	-	277,231
Interest and Fiscal Charges	<u>(694,667)</u>	<u>(156,009)</u>	<u>-</u>	<u>(850,676)</u>
Total Non-Operating Revenues (Expenses)	<u>(544,928)</u>	<u>(28,517)</u>	<u>-</u>	<u>(573,445)</u>
Income before Transfers	(97,947)	77,123	(1,036,589)	(1,057,413)
Transfers-Out	<u>(263,229)</u>	<u>-</u>	<u>-</u>	<u>(263,229)</u>
Change in Net Assets	(361,176)	77,123	(1,036,589)	(1,320,642)
Net Assets, Beginning of Year	<u>11,855,862</u>	<u>14,342,163</u>	<u>652,222</u>	<u>26,850,247</u>
Net Assets, End of Year	<u>\$ 11,494,686</u>	<u>\$ 14,419,286</u>	<u>\$ (384,367)</u>	<u>\$ 25,529,605</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2008

	Water Fund	Sewer Fund	Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 3,082,199	\$ 2,879,169	\$ 1,608,059	\$ 7,569,427
Cash Paid for Employees Salaries and Benefits	(923,354)	(935,091)	(1,033,943)	(2,892,388)
Cash Paid to Suppliers	(1,023,354)	(943,972)	(751,064)	(2,718,390)
Other Operating Revenues	<u>38,492</u>	<u>11,319</u>	<u>647</u>	<u>50,458</u>
Net Cash Provided(Used) by Operating Activities	<u>1,173,983</u>	<u>1,011,425</u>	<u>(176,301)</u>	<u>2,009,107</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers	<u>(263,229)</u>	<u>-</u>	<u>-</u>	<u>(263,229)</u>
Net Cash Used by Noncapital Financing Activities	<u>(263,229)</u>	<u>-</u>	<u>-</u>	<u>(263,229)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital Expenditures	(427,063)	(289,738)	-	(716,801)
Principal on Mortgage Revenue Bonds	(450,000)	(160,000)	-	(610,000)
Interest Paid	<u>(658,275)</u>	<u>(115,595)</u>	<u>-</u>	<u>(773,870)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,535,338)</u>	<u>(565,333)</u>	<u>-</u>	<u>(2,100,671)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment Income	<u>149,742</u>	<u>127,492</u>	<u>-</u>	<u>277,234</u>
Increase (Decrease) in Cash and Cash Equivalents	(474,842)	573,584	(176,301)	(77,559)
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>4,582,667</u>	<u>3,524,029</u>	<u>400,294</u>	<u>8,506,990</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 4,107,825</u>	<u>\$ 4,097,613</u>	<u>\$ 223,993</u>	<u>\$ 8,429,431</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Balance Sheet	\$ 3,637,399	\$ 3,326,201	\$ 223,993	\$ 7,187,593
Plus: Restricted Cash and Cash Equivalents	<u>470,426</u>	<u>771,412</u>	<u>-</u>	<u>1,241,838</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 4,107,825</u>	<u>\$ 4,097,613</u>	<u>\$ 223,993</u>	<u>\$ 8,429,431</u>

(Continued)

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2008  
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Operating Income (Loss)	\$ 446,981	\$ 105,640	\$ (1,036,589)	\$ (483,968)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	679,638	847,184	356,922	1,883,744
Landfill Closure and Postclosure Costs	-	-	508,608	508,608
Changes in Assets and Liabilities:				
Accounts Receivable	14,968	18,714	(6,749)	26,933
Accounts Payable	31,321	32,056	7,186	70,563
Accrued Wages & Benefits	(8,963)	(4,741)	(14,518)	(28,222)
Accrued Compensated Absences	10,038	12,572	8,839	31,449
Net Cash Provided(Used) by Operating Activities	<u>\$ 1,173,983</u>	<u>\$ 1,011,425</u>	<u>\$ (176,301)</u>	<u>\$ 2,009,107</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
December 31, 2008

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**ASSETS:**

Equity in Pooled Cash and Cash Equivalents	\$ <u>66,811</u>
Total Assets	\$ <u>66,811</u>

**LIABILITIES:**

Undistributed Monies	\$ <u>66,811</u>
Total Liabilities	\$ <u>66,811</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION**

The City of Wilmington (the "City") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by constitutions and laws of the State of Ohio. Wilmington, the county seat, is the only City in Clinton County. It is the major commercial and marketing center in the primarily agricultural county. The City was incorporated into a Village in 1828 and was reorganized as a City in 1921 under the general plan of the General (now revised) Code of Ohio. The City operates under the council-mayor form of government.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate. They provide various services including police and fire protection, emergency medical service, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. The City Council has direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City currently has no component units.

The Clinton County Municipal Court has been included in the City's financial statements as an agency fund. The Clerk of Courts has a fiduciary responsibility for the collection and distribution of court fees and fines.

The Clinton County General Health District is a jointly governed organization that provides health services within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. The City does not have any financial interest in, or responsibility for, the Health District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. There are twenty-one subscribing member cities of the self-insurance pool, including the City of Wilmington. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 13 for additional details.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Wilmington have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by a recipient of the goods or services offered by the program, 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 of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

**Police Fund** – The Police Fund is used to account for general operations of the police department of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; currently, the City has no internal service funds.

**Enterprise Funds** – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Water Fund** – The water fund accounts for the provisions of water treatment and distribution to the residential and commercial users located within the City.

**Sewer Fund** – The sewer fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the City.

**Waste Fund** – The waste fund accounts for the collection and disposal of refuse service to the residents and commercial users located within the City.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City only fiduciary fund is an agency fund used to account for municipal court collections that are distributed to various local governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the tax imposed takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

Unearned/Deferred Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance 2009 operations, have been recorded as unearned revenues in the statement of net assets. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, unearned revenue as well as receivables that will not be collected within the available period has been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization of certain accrued items, are not recognized in governmental funds.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Cash Equivalents**

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes. During fiscal year 2008, investments were limited to U.S. treasury notes, money market mutual funds, repurchase agreements and non-negotiable certificates of deposit. Except for nonparticipating investments, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investments such as repurchase agreements and certificates of deposit are reported at cost. See Note 4, Deposits and Investments. For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

**Capital Assets**

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective fund financial statements with the enterprise funds capital assets being reported in the business-type activities column of the government-wide statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two-thousand five-hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of proprietary capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	10-99 years	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

- The employees' rights to receive compensation are attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16 “Accounting for Compensated Absences”. The vesting method was implemented and states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with twenty years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. At December 31, 2008, there were no accrued compensated absences that were recognized in the fund financial statements. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractual required pension obligations that will be paid from the governmental are reported as a liability in the fund financial statements only to the extent that they are due for payment from current-available resources. Long-term debt are recognized as a liability on the fund financial statements when due.

**Reservations of Fund Balance**

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balance has been reserved for encumbrances, loans receivable and endowment.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and the solid waste collection programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**Interfund Activity**

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

**Estimates**

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

**NOTE 3 – ACCOUNTABILITY**

At December 31, 2008 the following individual funds reported deficit fund balances: Police, Lowe's Drive BAN, Police Pension, Fire, Fire Pension and Emergency Ambulance Special Revenue Funds. The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool used by all funds. Each of the activities' portion of this pool is displayed on the Statement of Net Assets as "Equity in Pooled Cash and Cash Equivalents".

Statutes require the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

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

Deposits

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

**CITY OF WILMINGTON, OHIO**  
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**NOTE 4 – DEPOSITS AND INVESTMENTS** (Continued)

At year end the carrying amount of the City’s deposits was \$12,746,838 and the bank balance was \$13,065,667. Of the bank balance, \$808,972 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, \$12,256,695 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City’s name.

Investment earnings of \$40,593 earned by other funds were credited to the General Fund as required by state statute.

Investments

The City’s investments at December 31, 2008 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
US Treasury/Equivalents	\$ 1,009,508	N/A	\$ 1,009,508	\$ -	\$ -
Total Investments	\$ 1,009,508		\$ 1,009,508	\$ -	\$ -

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateralized securities that are in the possession of an outside party. All of the City’s investments are collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City.

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
Per Financial Statements	\$ 13,756,346	-
Investments:		
US Treasury/Equivalents	<u>(1,009,508)</u>	<u>1,009,508</u>
Per Footnote	\$ <u>12,746,838</u>	<u>1,009,508</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 5 – RECEIVABLES**

Receivables at December 31, 2008 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2008 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate of for all City operations for the year ended December 31, 2008 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 248,004,790
Public Utility Tangible Personal Property Assessed Valuation	<u>4,678,300</u>
Total	<u>\$ 252,683,090</u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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 tax payers 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.

**CITY OF WILMINGTON, OHIO**  
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For the Year Ended December 31, 2008

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**NOTE 5 – RECEIVABLES** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, 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 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

**Income Tax**

The City levies a 1.0% income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The General Fund receives all income tax proceeds.

**Due from Other Governments**

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 275,865
Homestead/Rollback	45,832
Gasoline tax	230,452
Motor vehicle license fees	44,100
Federal and State grants	<u>50,363</u>
Total	\$ <u>646,612</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Water Fund	Nonmajor Governmental Funds	
Police Fund	\$ 2,221,000	\$ -	\$ -	\$ 2,221,000
Nonmajor Governmental Funds	<u>2,965,556</u>	<u>263,229</u>	<u>46,474</u>	<u>3,275,259</u>
Total	<u>\$ 5,186,556</u>	<u>\$ 263,229</u>	<u>\$ 46,474</u>	<u>\$ 5,496,259</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

During 2008, the City had a transfer from the Water Fund to the non-major Economic Development Fund to provide funding for a specific project. This transfer, while not regular in basis, is consistent with the intent to expand the water services of the City to properties being developed. The transfer from the non-major governmental fund to the non-major bond retirement fund was made to provide resources to allow debt service payments to be made.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> 12/31/2007	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2008
<b><u>Governmental Activities:</u></b>				
Non-depreciable capital assets:				
Land	\$ 2,569,198	-	-	2,569,198
Construction in Progress	<u>1,715,130</u>	<u>-</u>	<u>(1,715,130)</u>	<u>-</u>
Non-depreciable capital assets	<u>4,284,328</u>	<u>-</u>	<u>(1,715,130)</u>	<u>2,569,198</u>
Depreciable capital assets:				
Buildings	8,871,491	-	-	8,871,491
Improvements	175,347	352,940	-	528,287
Equipment	2,844,972	87,701	(36,923)	2,895,750
Vehicles	6,030,178	564,433	-	6,594,611
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	<u>1,278,552</u>	<u>2,259,861</u>	<u>-</u>	<u>3,538,413</u>
Depreciable capital assets	<u>19,225,593</u>	<u>3,264,935</u>	<u>(36,923)</u>	<u>22,453,605</u>
Less: accumulated depreciation				
Buildings	(1,532,008)	(210,619)	-	(1,742,627)
Improvements	(92,644)	(16,215)	-	(108,859)
Equipment	(2,251,752)	(145,353)	28,127	(2,368,978)
Vehicles	(2,760,902)	(479,105)	-	(3,240,007)
Furniture & Fixtures	(21,983)	(1,834)	-	(23,817)
Infrastructure	<u>(75,170)</u>	<u>(75,848)</u>	<u>-</u>	<u>(151,018)</u>
Accumulated depreciation	<u>(6,734,459)</u>	<u>(928,974) *</u>	<u>28,127</u>	<u>(7,635,306)</u>
Depreciable capital assets, net	<u>12,491,134</u>	<u>2,335,961</u>	<u>(8,796)</u>	<u>14,818,299</u>
Governmental activities				
capital assets, net	\$ <u>16,775,462</u>	<u>2,335,961</u>	<u>(1,723,926)</u>	<u>17,387,497</u>

\* - Depreciation expense was charged to governmental functions as follows:

General Government	\$ 209,821
Security of Persons & Property	406,008
Leisure Time Activities	34,253
Transportation	<u>278,892</u>
	<u>\$ 928,974</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

**NOTE 7 – CAPITAL ASSETS** (Continued)

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,640,927	-	-	1,640,927
Construction in Progress	-	402,820	-	402,820
Non-depreciable capital assets	<u>1,640,927</u>	<u>402,820</u>	<u>-</u>	<u>2,043,747</u>
Depreciable capital assets:				
Buildings	19,428,300	-	-	19,428,300
Improvements	25,670,196	-	-	25,670,196
Equipment	6,961,888	273,109	-	7,234,997
Vehicles	1,345,485	40,872	-	1,386,357
Depreciable capital assets	<u>53,405,869</u>	<u>313,981</u>	<u>-</u>	<u>53,719,850</u>
Less: accumulated depreciation				
Buildings	(2,392,326)	(430,928)	-	(2,823,254)
Improvements	(9,265,897)	(1,120,419)	-	(10,386,316)
Equipment	(3,816,059)	(265,388)	-	(4,081,447)
Vehicles	(1,067,212)	(67,009)	-	(1,134,221)
Accumulated depreciation	<u>(16,541,494)</u>	<u>(1,883,744)</u>	<u>-</u>	<u>(18,425,238)</u>
Depreciable capital assets, net	<u>36,864,375</u>	<u>(1,569,763)</u>	<u>-</u>	<u>35,294,612</u>
Business-Type activities capital assets, net	<u>\$ 38,505,302</u>	<u>(1,166,943)</u>	<u>-</u>	<u>37,338,359</u>

**NOTE 8: DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City of Wilmington participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent 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 that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

Member contributions, whose investment is self-directed by the member, 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 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS** (Continued)

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. The employer contribution rate for 2008 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007 and 2006 were \$813,006, \$779,227 and \$731,822, respectively; 92 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee deferred benefit pension plan. OP&F provides retirement and disability 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's required contributions to OP&F for police and firefighters were \$528,629 for the year ended December 31, 2008, \$504,880 for 2007 and \$486,684 for 2006; 74 percent has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

**NOTE 9: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System of Ohio (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 14.0 percent of covered payroll; 7.0 percent of covered payroll was the portion that was used to fund health care for 2008.

The City's actual contributions for 2008, 2007 and 2006, which were used to fund post employment benefits were \$406,503, \$255,976 and \$240,404, respectively. The actual contribution and the actuarially required contribution amounts are the same.

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

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 9 – POSTEMPLOYMENT BENEFITS** (Continued)

***B. Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund (OP&F) provides access to postretirement 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the post employment health care program during 2008.

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

The City's actual contributions for 2008, 2007 and 2006 that were used to fund post employment benefits were \$165,780, \$182,527 and \$175,873 for police and firefighters, respectively.

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Each full-time employee is entitled, for each completed 80 hours of service, to four and six-tenths hours of sick leave. Fire personnel earn 6.4 hours of sick leave bi-weekly. Part-time employees accrue sick leave on a proportional basis to the hours paid each pay period. Sick leave accruals may be increased by no more than 15 days a year to a maximum of 1200 hours in "Sick Leave Bank II".

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to three-fourths the number of hours of such accumulated sick leave in "Sick Leave Bank I" and one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2008, the estimated total absences payable of the City was \$913,916.

Vacation leave is granted in varying amounts, depending upon years of service and must be used within the year it is granted.

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
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**NOTE 11 – LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations of the City during 2008 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds Payable	\$ 6,345,000	\$ -	\$ 375,000	\$ 5,970,000	\$ 385,000
Compensated Absences	623,194	616,313	623,194	616,313	61,631
Police and Fire Pension	103,873	-	2,053	101,820	2,141
Total Governmental Activities	<u>\$ 7,072,067</u>	<u>\$ 616,313</u>	<u>\$ 1,000,247</u>	<u>\$ 6,688,133</u>	<u>\$ 448,772</u>
<i><u>Business-Type Activities:</u></i>					
Mortgage Revenue Bonds Payable	\$ 18,285,000	\$ -	\$ 610,000	\$ 17,675,000	\$ 630,000
Accrued Bond Premium	47,808	-	3,415	44,393	-
Less: Deferred Amounts					
Deferred Amount on Refunding	(513,063)	-	(60,457)	(452,606)	-
Unamortized Bond Issue Costs	(540,529)	-	(42,308)	(498,221)	-
Total Mortgage Revenue Bonds	17,279,216	-	510,650	16,768,566	630,000
Estimated Liability for Landfill					
Closure and Postclosure Care	3,070,992	508,608	-	3,579,600	-
Compensated Absences	266,154	297,603	266,154	297,603	98,098
Total Business-Type Activities	<u>\$ 20,616,362</u>	<u>\$ 806,211</u>	<u>\$ 776,804</u>	<u>\$ 20,645,769</u>	<u>\$ 728,098</u>

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the government. The bonds will be retired from the debt service fund.

The City has three general obligation bond issues outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2003	Municipal Building Refunding	2.0% to 5.8%	\$ 3,020,000	\$ 2,335,000
2003	Fire Department	2.0% to 5.8%	4,000,000	3,090,000
2007	Fire Truck Acquisition	4.25%	605,000	545,000
			<u>\$ 7,625,000</u>	<u>\$ 5,970,000</u>

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2009	\$ 385,000	\$ 252,754	\$ 637,754
2010	395,000	240,618	635,618
2011	410,000	227,179	637,179
2012	420,000	212,731	632,731
2013	430,000	197,760	627,760
2014-2018	2,395,000	659,372	3,054,372
2019-2021	1,535,000	130,633	1,665,633
Total	<u>\$ 5,970,000</u>	<u>\$ 1,921,047</u>	<u>\$ 7,891,047</u>

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2008 are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
1996	Sewer System Improvements	3.3% to 5.3%	\$ 3,645,000	\$ 2,120,000
1998	Water Works Improvements	4.35% to 5.25%	9,695,000	1,525,000
2005	Water Works Improvements	3.9% to 6.0%	5,525,000	4,750,000
2007	Water Works Improvements	4.0% to 4.25%	9,330,000	9,280,000
			<u>\$ 28,195,000</u>	<u>\$ 17,675,000</u>

The City has pledged future water and sewer revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water and sewer revenues. Total principal and interest paid during 2008 for the Water mortgage revenue bonds was \$1,108,272 compared with net revenue of \$873,538. Total principal and interest paid during the year for the Sewer mortgage revenue bonds was \$275,595 and net revenue was \$1,080,316.

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

Mortgage Revenue Bonds (Continued)

Annual debt service requirements to maturity for the mortgage revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2009	\$ 630,000	\$ 750,178	\$ 1,380,178
2010	655,000	724,641	1,379,641
2011	680,000	697,563	1,377,563
2012	735,000	668,335	1,403,335
2013	760,000	636,770	1,396,770
2014-2018	4,365,000	2,628,392	6,993,392
2019-2023	3,895,000	1,731,608	5,626,608
2024-2028	4,850,000	802,763	5,652,763
2029	1,105,000	24,863	1,129,863
Total	<u>\$ 17,675,000</u>	<u>\$ 8,665,113</u>	<u>\$ 26,340,113</u>

Police and Fire Pension Liability

The police and fire pension obligation payable was entered into in 1997, with a total principal amount financed of \$121,574. These obligations were offered to assist governments throughout the State of Ohio to fund their unfunded pension costs associated with police and fire service. This obligation is being repaid by the police and fire pension funds through the use of local property tax revenues where the proceeds are to be used to pay this pension obligation and is included within the governmental activities.

Annual debt service requirements to maturity for the police and fire pension liability are as follows.

Year Ending December 31	Principal	Interest	Total
2009	\$ 2,141	\$ 4,304	\$ 6,445
2010	2,233	4,212	6,445
2011	2,329	4,116	6,445
2012	2,429	4,016	6,445
2013	2,533	3,911	6,444
2014-2018	14,395	17,829	32,224
2019-2023	17,790	14,433	32,223
2024-2028	21,921	10,303	32,224
2029-2033	27,051	5,173	32,224
2034-2035	8,998	379	9,377
Total	<u>\$ 101,820</u>	<u>\$ 68,676</u>	<u>\$ 170,496</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 12 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2008 follows:

	<u>Amount Outstanding 12/31/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2008</u>
<b><u>Governmental Activities:</u></b>				
4.50% - 2007 Lowes/Davids Drive BAN	\$ 1,235,000	\$ -	\$ 1,235,000	\$ -
4.50% - 2008 Lowes/Davids Drive BAN	<u>-</u>	<u>715,000</u>	<u>-</u>	<u>715,000</u>
Total Governmental Activities	<u>\$ 1,235,000</u>	<u>\$ 715,000</u>	<u>\$ 1,235,000</u>	<u>\$ 715,000</u>

On July 26, 2008, the City issued a \$715,000 4.50% Bond Anticipation Note (BAN) to pay for a portion of the construction for Lowes Road and Davids Drive. The 2008 BAN matures on July 25, 2009.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2008, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 13 – RISK MANAGEMENT** (Continued)

The twenty-one participating cities and their respective pool contribution factors for the loss year ended December 31, 2008 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	10.40%	NAWA	0.02%
Bellbrook	0.61%	Piqua	3.59%
Blue Ash	7.63%	Sidney	5.51%
Centerville	1.86%	Springdale	6.33%
Englewood	1.26%	Tipp City	2.34%
Indian Hill	2.80%	Troy	8.23%
Kettering	9.60%	Vandalia	6.89%
Madeira	2.55%	West Carrollton	3.05%
Mason	6.42%	Wilmington	7.02%
Miamisburg	6.74%	Wyoming	2.55%
Montgomery	4.62%	Subtotal	<u>45.52%</u>
Subtotal	<u>54.48%</u>	Total	<u>100.00%</u>

The 2008 pool contribution from the City of Wilmington was \$286,986 representing 7.02% of the total collected from all members for that year's operating costs and projected loss reserves.

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

The City is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has joined the Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) a joint insurance pool. The pool consists of twenty-one municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability.

The following is a summary of insurance coverage at year end:

General Liability	\$ 10,000,000	per occurrence
Automobile	10,000,000	per occurrence
Police Professional Liability	10,000,000	per occurrence
Employment Practices & Public Officials Liability	10,000,000	Aggregate
Property	1,000,000,000	per occurrence
Flood (Zone specific)	25,000,000	per occurrence
Earthquake	25,000,000	per occurrence
Boiler & Machinery	100,000,000	per occurrence

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 13 – RISK MANAGEMENT** (Continued)

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence. The SIR for Boiler and Machinery is \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2008.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 14 – CONTINGENT LIABILITIES**

Litigation

The City is a defendant in various lawsuits and subject to various claims over which litigation has not yet commenced. Although the outcomes of these matters is not presently determinable, in the opinion of management and the law director, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants

For the period January 1, 2008 to December 31, 2008, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could result to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be financially insignificant.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 15 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require that the City place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City is required by generally accepted accounting principles to report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City is required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2005. The \$3,579,600 reported as landfill closure and post-closure care liability at December 31, 2008, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$3,579,600. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

**NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2008 the City has implemented GASB Statement No. 45 “*Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pension*”. GASB Statement No. 45 establishes the standards for disclosure of information on post-employment benefits other than pension by all state and local governments. Statement No. 45 supersedes GASB Statement No. 12 for public employers. The implementation of this new statement had no effect on the City’s financial statements for the year ended December 31, 2008 other than the disclosures reported in Note 9 to the basic financial statements.

**NOTE 17 – SUBSEQUENT EVENT**

In May 2008, the largest employer within the City of Wilmington, DHL announced its intention to contract its US package delivery operations with another company which would drastically reduce the workforce at the operations located at Wilmington Air Park. At the time of the announcement DHL, along with related ABX Air, employed approximately 7,500 at the Wilmington operations. After the negotiations with the other company fell through in late 2008, DHL announced it would no longer provide domestic delivery of packages but would continue to provide international shipping services. At the end of January 2009 domestic shipping ceased. In May 2009, DHL announced that all of its services within the United States would be consolidated at the Cincinnati-Northern Kentucky International Airport and that all operations at the Wilmington Air Park would be phased-out.

The Air Park was only annexed into the City of Wilmington in January 2008 and the additional income tax receipts received through the annexation was intentionally left out of the City’s operational budget and is being maintained as a contingency account. The total financial impact of DHL leaving the Wilmington Air Park has not yet been determined by the City.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 5,893,553	6,424,265	6,625,659	201,394
Special Assessments	121,507	71,170	136,601	65,431
Licenses and Permits	34,589	42,475	38,886	(3,589)
Intergovernmental	1,255,355	1,030,851	1,411,297	380,446
Charges for Services	1,218,851	1,232,375	1,370,258	137,883
Investment Income	126,439	227,600	142,146	(85,454)
Fees, Fines and Forfeitures	672,514	706,490	756,055	49,565
Other Revenue	<u>188,502</u>	<u>619,143</u>	<u>211,918</u>	<u>(407,225)</u>
Total Revenues	<u>9,511,311</u>	<u>10,354,369</u>	<u>10,692,820</u>	<u>338,451</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	4,557,534	4,828,505	4,751,433	77,072
Security of Persons & Property	609,581	660,152	-	660,152
Capital Outlay	<u>42,000</u>	<u>73,960</u>	<u>50,495</u>	<u>23,465</u>
Total Expenditures	<u>5,209,115</u>	<u>5,562,617</u>	<u>4,801,928</u>	<u>760,689</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>4,302,196</u>	<u>4,791,752</u>	<u>5,890,892</u>	<u>1,099,140</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	-	-	1,113	1,113
Transfers-Out	<u>(5,141,405)</u>	<u>(5,863,805)</u>	<u>(5,186,556)</u>	<u>677,249</u>
Net Change in Fund Balance	(839,209)	(1,072,053)	705,449	1,777,502
Fund Balance, Beginning of Year	1,841,825	1,841,825	1,841,825	-
Prior Year Encumbrances Appropriated	<u>107,503</u>	<u>107,503</u>	<u>107,503</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,110,119</u>	<u>877,275</u>	<u>2,654,777</u>	<u>1,777,502</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
Police Fund  
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 303,400	299,214	301,565	2,351
Fees, Fines and Forfeitures	11,476	8,500	11,407	2,907
Other Revenue	<u>22,253</u>	<u>21,981</u>	<u>22,118</u>	<u>137</u>
Total Revenues	<u>337,129</u>	<u>329,695</u>	<u>335,090</u>	<u>5,395</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons & Property	2,499,525	2,419,450	2,410,489	8,961
Capital Outlay	<u>77,000</u>	<u>149,402</u>	<u>149,402</u>	<u>-</u>
Total Expenditures	<u>2,576,525</u>	<u>2,568,852</u>	<u>2,559,891</u>	<u>8,961</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(2,239,396)</u>	<u>(2,239,157)</u>	<u>(2,224,801)</u>	<u>14,356</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	<u>2,234,586</u>	<u>2,226,294</u>	<u>2,221,072</u>	<u>(5,222)</u>
Total Other Financing Sources (Uses)	<u>2,234,586</u>	<u>2,226,294</u>	<u>2,221,072</u>	<u>(5,222)</u>
Net Change in Fund Balance	(4,810)	(12,863)	(3,729)	9,134
Fund Balance, Beginning of Year	8,006	8,006	8,006	-
Prior Year Encumbrances Appropriated	<u>5,019</u>	<u>5,019</u>	<u>5,019</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>8,215</u>	<u>162</u>	<u>9,296</u>	<u>9,134</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2008

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Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriation cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department for each fund. Budgetary modification may be made only by ordinance of the City Council.

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The City of Wilmington's (the City) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. All annual appropriations lapse at year-end to the extent they have not been expended or lawfully encumbered. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the City's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the City arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2008

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Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance controls expenditures at the fund, departmental, and object level and may be amended or supplemented only by council during the year as required. During the year, several supplemental appropriation measures were legally passed. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservation of fund balance for the subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual or earned (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures on the budget basis rather than as a reservation of fund balance for governmental funds on the GAAP basis.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2008

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue fund.

	<u>Changes in Fund Balances</u>	
	<u>General Fund</u>	<u>Police Fund</u>
GAAP Basis	\$ 1,723,352	16,425
Revenue Accruals	(743,837)	585
Expenditure Accruals	(107,913)	2,601
Transfers	1,113	72
Encumbrances	<u>(167,266)</u>	<u>(23,412)</u>
Budget Basis	\$ <u>705,449</u>	<u>(3,729)</u>

**CITY OF WILMINGTON, OHIO**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2008**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> <i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grant	A-F-07-201-1	14.218	\$ 39,811
Community Development Block Grant	A-F-06-201-1	14.218	35,163
Community Development Block Grant	A-F-05-201-2	14.218	15,000
Community Development Block Grant	A-T-04-201-2	14.218	<u>5,000</u>
			<u>94,974</u>
Community Housing Improvement Program	A-C-05-201-1	14.228	17,579
Community Housing Improvement Program	A-C-05-201-2	14.228	<u>51,075</u>
			<u>68,654</u>
Total U.S. Department of Housing and Urban Development			<u>163,628</u>
<u>U.S. Department of Homeland Security</u> <i>(Passed through Ohio Department of Public Safety)</i>			
Disaster Assistance - snow	FEMA-OH-EM3286	97.036	46,859
Disaster Assistance - windstorm	EHTA-0014-004-041	97.036	<u>124,244</u>
Total U.S. Department of Homeland Security			<u>171,103</u>
<u>U.S. Department of Transportation</u> <i>(Passed through Ohio Department of Transportation)</i>			
Urban Mass Transit Operating Grant	RPT-4014-023-042	20.509	552,943
Urban Mass Transit Capital Grant	RPT-4014-023-041	20.509	71,552
Elderly and Handicapped Grant	EHTA-0014-004-041	20.509	<u>53,468</u>
Total U.S. Department Transportation			<u>677,963</u>
Total Federal Awards			\$ <u>1,012,694</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - OUTSTANDING LOANS**

The City has established a revolving loan program to provide low-interest loans to stimulate economic activity that will strengthen the economics, employment and tax base in the City. The U.S Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule of Expenditures of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are not included as disbursements on the Schedule. At December 31, 2008, the gross amount of loans outstanding under this program were \$275,672.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the Schedule.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Wilmington, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the "City") as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs and labeled as 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the City in a separate letter dated July 6, 2009.

This report is intended solely for the information and use of the City's management, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
July 6, 2009

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council  
City of Wilmington, Ohio:

### **Compliance**

We have audited the compliance of the City of Wilmington, Ohio (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
July 6, 2009

**CITY OF WILMINGTON, OHIO  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2008**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to the financial statements noted?	none

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	no
Identification of major program:	
• <i>CFDA 20.509 – Urban Mass Transit Grant</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

## Section II – Financial Statement Findings

### Finding 2008-1 – Audit Adjustments

During the course of our audit, we identified misstatements in the financial statements for the year under audit that were not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to correct errors in the City's conversion process. A description of the adjustments follows:

- **Capital Assets.** An audit adjustment was necessary to correct an understatement of the City's capital assets in the Water Fund in the amount of approximately \$402,000.
- **Accounts Payable.** An audit adjustment was necessary to correct an overstatement of the City's accounts payable in the Police Fund in the amount of approximately \$60,000.

*Management response: Management concurs with the finding.*

## Section III – Federal Award Findings and Questioned Costs

None.

**CITY OF WILMINGTON, OHIO  
Schedule of Prior Audit Findings  
Year Ended December 31, 2008**

**Finding 2007-1 – Audit Adjustments**

During the course of our audit, we identified material misstatements in the financial statements for the year under audit that were not initially identified by the City's internal control over financial reporting. Throughout the year, the City maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to correct errors in the City's conversion process. The City inadvertently omitted obligations from accounts payable resulting in an understatement of liabilities by approximately \$313,000. An audit adjustment was necessary to correct accounts payable in the financial statements.

***Status: Repeated.***



**Mary Taylor, CPA**  
Auditor of State

**CITY OF WILMINGTON**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 15, 2009**

# **City of Wilmington, Ohio**

Basic Financial Statements

Year Ended December 31, 2009

With Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

City Council  
City of Wilmington  
69 N. South Street  
Wilmington, Ohio 45177

We have reviewed the *Independent Auditors' Report* of the City of Wilmington, Clinton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 1, 2010

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## INDEPENDENT AUDITORS' REPORT

To City Council  
City of Wilmington, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and pages 49 through 53, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hachitt & Co.*

Cincinnati, Ohio  
June 29, 2010

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2009 are as follows:

- Total net assets of the City decreased by \$2.2 million during 2009 consisting of a \$0.2 million decrease in governmental activities and a \$2.0 million decrease in business-type activities.
- The General Fund had an increase in fund balance of \$1,099,533, a 24.9% increase from the prior year.
- Proprietary fund operations posted operating loss of \$1,554,581 due primarily to increased operating expenses in both the Sewer Fund and Waste Fund.
- General Fund actual revenue amounts exceeded budgeted amounts while actual expenditures were less than the budgeted amounts. The General Fund reported a \$1,777,930 increase in the budgetary fund balance for the year.

**USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**REPORTING THE CITY AS A WHOLE**

*Statement of Net Assets and the Statement of Activities*

"How did the City of Wilmington do financially in 2009?" The broad answer to this question can be obtained with a look at the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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These two statements report the City's net assets and the change in those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- Governmental Activities – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.
- Business-Type Activities – These services include water, sewer, and waste. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

### **Reporting the City's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial statements, beginning on page 13, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

*Governmental Funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available in the near future to finance City programs. We detail the relationship between net assets of governmental activities, as reported in the Statement of Net Assets and the Statement of Activities, and governmental fund balances in a reconciliation on pages 14 and 16.

*Proprietary Funds* – City utility services for water, sewer and waste are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Assets and the Statement of Activities since they are reported in much the same manner as other business-type activities. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
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*Fiduciary Funds* – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 21. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 22.

**THE CITY AS A WHOLE**

The following table provides a summary of the City's net assets for 2009 as compared to 2008.

**Table 1**  
**Net Assets, December 31,**

	2009			2008		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>						
Current and Other Assets	\$ 12,016,677	8,139,446	20,156,123	10,917,249	9,108,211	20,025,460
Capital Assets	17,154,289	35,835,847	52,990,136	17,387,497	37,338,359	54,725,856
Total Assets	<u>29,170,966</u>	<u>43,975,293</u>	<u>73,146,259</u>	<u>28,304,746</u>	<u>46,446,570</u>	<u>74,751,316</u>
<b>Liabilities:</b>						
Current and Other Liabilities	3,336,260	1,338,387	4,674,647	3,703,362	271,196	3,974,558
Long-term Liabilities	8,103,007	19,138,862	27,241,869	6,688,133	20,645,769	27,333,902
Total Liabilities	<u>11,439,267</u>	<u>20,477,249</u>	<u>31,916,516</u>	<u>10,391,495</u>	<u>20,916,965</u>	<u>31,308,460</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	10,431,699	20,580,771	31,012,470	10,499,997	20,071,572	30,571,569
Restricted	461,814	1,355,250	1,817,064	509,388	1,241,838	1,751,226
Unrestricted	6,838,186	1,562,023	8,400,209	6,903,866	4,216,195	11,120,061
Total Net Assets	<u>\$ 17,731,699</u>	<u>23,498,044</u>	<u>41,229,743</u>	<u>17,913,251</u>	<u>25,529,605</u>	<u>43,442,856</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2009, the City's net assets were \$41.2 million. Of this amount, \$31.0 million was invested in capital assets and \$1.8 million was subject to external restrictions for its use. The remaining amount, \$8.4 million, was unrestricted and available for future use as directed by City Council and the City administration.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

In total, net assets of the City decreased by \$2.2 million. The governmental activities decreased by \$181,552 and business-type activities decreased by \$2.0 million during 2009. The decrease in the governmental activities is due primarily to debt issuances in the current year. The decrease in the business-type activities was due to decreases in charges for services revenue in both the Water Fund and Sewer Fund and depreciation expense on the capital assets of the enterprise funds exceeding current year additions by a significant amount.

The following table provides a summary of the City's changes in net assets for 2009 as compared to 2008.

**Table 2**  
Change in Net Assets, December 31.

	2009			2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 2,679,987	7,069,020	9,749,007	2,906,186	7,542,497	10,448,683
Operating Grants and Contributions	1,275,775	-	1,275,775	1,959,049	-	1,959,049
Capital Grants and Contributions	-	5,000	5,000	165,047	-	165,047
General Revenues:						
Property Taxes	2,562,327	-	2,562,327	2,164,065	-	2,164,065
Municipal Income Taxes	6,263,760	-	6,263,760	6,672,722	-	6,672,722
Grants and Contributions not Restricted	1,240,708	-	1,240,708	1,323,801	-	1,323,801
Investment Income	94,370	289,310	383,680	168,013	277,231	445,244
Other Revenue	1,493,463	28,169	1,521,632	1,114,617	50,458	1,165,075
<b>Total Revenue</b>	<b>15,610,390</b>	<b>7,391,499</b>	<b>23,001,889</b>	<b>16,473,500</b>	<b>7,870,186</b>	<b>24,343,686</b>
<b>Expenses:</b>						
General Government	6,904,151	-	6,904,151	4,695,493	-	4,695,493
Security of Persons & Property	4,933,203	-	4,933,203	5,316,867	-	5,316,867
Public Health and Welfare Services	266,596	-	266,596	380,559	-	380,559
Leisure Time Activities	642,602	-	642,602	806,202	-	806,202
Transportation	2,719,820	-	2,719,820	2,990,680	-	2,990,680
Water	-	3,098,731	3,098,731	-	3,353,409	3,353,409
Sewer	-	3,658,223	3,658,223	-	2,922,146	2,922,146
Waste	-	2,706,090	2,706,090	-	2,652,044	2,652,044
Interest Expense	285,586	-	285,586	312,885	-	312,885
<b>Total Expenses</b>	<b>15,751,958</b>	<b>9,463,044</b>	<b>25,215,002</b>	<b>14,502,686</b>	<b>8,927,599</b>	<b>23,430,285</b>
Transfers	(39,984)	39,984	-	263,229	(263,229)	-
Increase (Decrease) in Net Assets	(181,552)	(2,031,561)	(2,213,113)	2,234,043	(1,320,642)	913,401
Net Assets, Beginning of Year	17,913,251	25,529,605	43,442,856	15,679,208	26,850,247	42,529,455
<b>Net Assets, End of Year</b>	<b>\$ 17,731,699</b>	<b>23,498,044</b>	<b>41,229,743</b>	<b>17,913,251</b>	<b>25,529,605</b>	<b>43,442,856</b>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

**Governmental Activities**

The three functions with the largest expenditures are Security of Persons and Property, General Government, and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$5.5 million after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving \$1.4 million in property tax revenues, we see that approximately 36.2% of the net expense of \$4.0 million is paid by property tax revenues with the remaining 63.8% paid by income taxes, grants and other revenue. The third function, Transportation, covers the roads and streets of the City, which reports a net loss for 2009 of \$1.2 million due to the decrease in operating and capital grants received in the current year compared to the prior year. As indicated in Table 3, total governmental expenses increased by \$1.25 million, which represents an 8.6% increase.

**Business-Type Activities**

Overall, the City's business-type activities generated \$7.1 million of revenues, which fell short of the cost of doing business by \$2.4 million. In the current year, the Water Fund, Sewer Fund and Waste Fund reported decreases in net assets of \$0.1 million, \$1.1 million and \$0.8 million, respectively. In addition to the normal increases in the cost of doing business experienced, the Sewer Fund was able to pay off one of its bonds and the Waste Fund reported increased expenses due to the vertical expansion of the City's landfill.

**Table 3**  
Total and Cost of Program Services

	<b>2009</b>		<b>2008</b>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 6,904,151	(5,490,083)	4,695,493	(2,870,057)
Security of Persons & Property	4,933,203	(3,947,182)	5,316,867	(4,332,588)
Public Health & Welfare Services	266,596	(252,342)	380,559	(207,197)
Leisure Time Activities	642,602	(642,602)	806,202	(804,202)
Transportation	2,719,820	(1,178,401)	2,990,680	(945,475)
Interest Expense	285,586	(285,586)	312,885	(312,885)
Total	<u>\$ 15,751,958</u>	<u>(11,796,196)</u>	<u>14,502,686</u>	<u>(9,472,404)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 3,098,731	(382,255)	3,353,409	(286,178)
Sewer	3,658,223	(1,140,847)	2,922,146	(61,688)
Waste	2,706,090	(865,922)	2,652,044	(1,037,236)
Total	<u>\$ 9,463,044</u>	<u>(2,389,024)</u>	<u>8,927,599</u>	<u>(1,385,102)</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlement grants. While general revenues were more than sufficient to cover the total net cost of service for the governmental activities, the business-type activities reported a decrease in net assets for the year totaling \$2.0 million.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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**THE CITY'S FUNDS**

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$8.0 million, of which \$7.5 million is unreserved. The total governmental funds balance of all governmental funds increased by \$1.7 million during 2009.

The General Fund balance increased by \$1.1 million, caused by a 4.6% decrease in expenditures/transfers out reported for 2009 as compared with those from the prior year.

The Police Fund's balance remained relatively unchanged, increasing by \$21,858 from the balance reported one year prior.

Governmental fund expenditures showed an increase from 2008 of \$419,154 or 2.7%. The largest increase in expenditures was reported in the Taxi Fund. As the City received an increased level of federal and state grant awards during the current year, the expenditures increased correspondingly.

Explanation of the changes in the major enterprise funds of the City follow the same explanation as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same basis used in the City-wide statements.

***General Fund Budgeting Highlights***

The General Fund's final budgeted revenues were \$11.0 million while actual revenues exceeded this amount by \$115,223 for the year. The revenue estimates included in the City's final budget documents were \$1.8 million higher than original budget amounts due to tax receipts and amounts received for charges for services received during the year, exceeding the conservative estimates used in the development of the original budget.

Final budgeted amounts for expenditures and other financing uses were \$10.3 million while actual budgetary expenditures and other financing uses amounted to \$9.3 million. Actual expenditures were lower than the original budget.

The total increase in budgetary fund balance for the General Fund was \$1.8 million for the year.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

**Table 4**  
Capital Assets  
2009

	2009			2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 2,569,198	1,640,927	4,210,125	2,569,198	1,640,927	4,210,125
Infrastructure	3,538,413	-	3,538,413	3,538,413	-	3,538,413
Buildings	8,871,491	19,501,091	28,372,582	8,871,491	19,428,300	28,299,791
Improvements	528,287	25,670,196	26,198,483	528,287	25,670,196	26,198,483
Equipment	3,006,611	7,376,996	10,383,607	2,895,750	7,234,997	10,130,747
Vehicles	7,181,654	1,386,357	8,568,011	6,594,611	1,386,357	7,980,968
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Construction in Progress	-	574,855	574,855	-	402,820	402,820
Less:						
Accumulated Depreciation	<u>(8,566,418)</u>	<u>(20,314,575)</u>	<u>(28,880,993)</u>	<u>(7,635,306)</u>	<u>(18,425,238)</u>	<u>(26,060,544)</u>
Totals	\$ <u>17,154,289</u>	<u>35,835,847</u>	<u>52,990,136</u>	<u>17,387,497</u>	<u>37,338,359</u>	<u>54,725,856</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2009, amounts to \$53.0 million (net of accumulated depreciation). This investment in capital assets includes: land; construction in progress; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, decreased by \$1.7 million or 3.3%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of \$233,208. Depreciation expense for the year totaled \$931,112. Capital assets, net of accumulated depreciation in the business-type activities decreased \$1.5 million as a result of depreciation expense recognized exceeding the cost of assets acquired during the year. See Note 7 to the basic financial statements for additional details on capital assets.

**Debt Administration**

At December 31, 2009, the City had total bonded debt in the amount of \$21.2 million, of which \$0.9 million is due within one year. Of the total bonded debt amount, \$5.6 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$15.6 million being mortgage revenue bonds for waterworks improvements and sewer bond refunding. During the year, the City issued debt of \$1.4 million and \$461,117 related to an energy conservation improvement note as well as a capital lease for a fire truck, respectively. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$99,679.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property.

See Note 11 to the basic financial statements for additional details on the long-term debt of the City.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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**CONTACTING THE CITY'S FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact City Auditor, City of Wilmington, 69 North South Street, Wilmington, Ohio 45177.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Net Assets  
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,774,760	\$ 5,647,369	\$ 13,422,129
Receivables			
Taxes	3,283,032	-	3,283,032
Accounts	123,307	671,014	794,321
Loans Receivable	275,672	-	275,672
Accrued Interest	52	-	52
Due from Other Governments	559,854	-	559,854
Restricted Assets:			
Cash and Cash Equivalents	-	1,355,250	1,355,250
Unamortized Bond Issue Costs	-	465,813	465,813
Capital Assets:			
Capital Assets not subject to depreciation			
Land and Construction in Progress	2,569,198	2,215,782	4,784,980
Capital Assets, net of accumulated depreciation	<u>14,585,091</u>	<u>33,620,065</u>	<u>48,205,156</u>
 Total Assets	 <u>29,170,966</u>	 <u>43,975,293</u>	 <u>73,146,259</u>
<b>LIABILITIES:</b>			
Accounts Payable	352,088	252,285	604,373
Accrued Wages and Benefits	367,336	91,214	458,550
Accrued Interest Payable	113,156	79,888	193,044
Unearned Revenue	1,788,680	-	1,788,680
Bond Anticipation Notes Payable	715,000	915,000	1,630,000
Noncurrent Liabilities:			
Due Within One Year	568,650	631,051	1,199,701
Due In More than One Year	<u>7,534,357</u>	<u>18,507,811</u>	<u>26,042,168</u>
 Total Liabilities	 <u>11,439,267</u>	 <u>20,477,249</u>	 <u>31,916,516</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Debt	10,431,699	20,580,771	31,012,470
Restricted for:			
Security of Persons & Property	151,142	-	151,142
Debt Service	275,672	-	275,672
Utility Debt Service	-	1,355,250	1,355,250
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>6,838,186</u>	<u>1,562,023</u>	<u>8,400,209</u>
 Total Net Assets	 <u>\$ 17,731,699</u>	 <u>\$ 23,498,044</u>	 <u>\$ 41,229,743</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs:</b>							
Governmental Activities:							
General Government	\$ 6,904,151	\$ 1,414,068	\$ -	\$ -	\$ (5,490,083)	\$ -	\$ (5,490,083)
Security of Persons & Property	4,933,203	982,421	3,600	-	(3,947,182)	-	(3,947,182)
Public Health & Welfare Services	266,596	14,254	-	-	(252,342)	-	(252,342)
Leisure Time Activities	642,602	-	-	-	(642,602)	-	(642,602)
Transportation	2,719,820	269,244	1,272,175	-	(1,178,401)	-	(1,178,401)
Interest Expense	285,586	-	-	-	(285,586)	-	(285,586)
Total Governmental Activities	15,751,958	2,679,987	1,275,775	-	(11,796,196)	-	(11,796,196)
Business-Type Activities:							
Water	3,098,731	2,716,476	-	-	(382,255)	(382,255)	(382,255)
Sewer	3,658,223	2,517,376	-	-	(1,140,847)	(1,140,847)	(1,140,847)
Waste	2,706,090	1,835,168	-	5,000	(865,922)	(865,922)	(865,922)
Total Business-Type Activities	9,463,044	7,069,020	-	5,000	(2,389,024)	(2,389,024)	(2,389,024)
<b>Total</b>	<b>\$ 25,215,002</b>	<b>\$ 9,749,007</b>	<b>\$ 1,275,775</b>	<b>\$ 5,000</b>	<b>(11,796,196)</b>	<b>(2,389,024)</b>	<b>(14,185,220)</b>
General Revenues:							
Municipal income taxes, levied for:							
General purposes					6,263,760	-	6,263,760
Property Taxes Levied for:							
General purposes					548,461	-	548,461
Security of persons & property					1,426,749	-	1,426,749
Street lighting					197,790	-	197,790
Leisure time activities					389,327	-	389,327
Grants and Contributions not Restricted to Specific Programs					1,240,708	-	1,240,708
Investment earnings					94,370	289,310	383,680
Miscellaneous					1,493,463	28,169	1,521,632
Transfers					11,654,628	317,479	11,972,107
					(39,984)	39,984	-
					11,614,644	357,463	11,972,107
<b>Total General Revenues and Transfers</b>					(181,552)	(2,031,561)	(2,213,113)
<b>Change in Net Assets</b>					17,913,251	25,529,605	43,442,856
Net Assets, Beginning of Year							
Net Assets, End of Year					\$ 17,731,699	\$ 23,498,044	\$ 41,229,743

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Governmental Funds  
December 31, 2009

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,665,990	\$ 42,373	\$ 3,066,397	\$ 7,774,760
Receivables:				
Taxes	1,916,047	281,257	1,085,728	3,283,032
Accounts	96,485	197	26,625	123,307
Loans Receivable	-	-	275,672	275,672
Accrued Interest	52	-	-	52
Due from Other Governments	<u>266,189</u>	<u>6,816</u>	<u>286,849</u>	<u>559,854</u>
 Total Assets	 <u>\$ 6,944,763</u>	 <u>\$ 330,643</u>	 <u>\$ 4,741,271</u>	 <u>\$ 12,016,677</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 253,729	\$ 6,131	\$ 92,228	\$ 352,088
Accrued Wages and Benefits	70,596	46,302	250,438	367,336
Deferred Revenue	1,100,830	288,073	1,212,089	2,600,992
Bond Anticipation Notes Payable	<u>-</u>	<u>-</u>	<u>715,000</u>	<u>715,000</u>
 Total Liabilities	 <u>1,425,155</u>	 <u>340,506</u>	 <u>2,269,755</u>	 <u>4,035,416</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances	51,018	9,786	90,338	151,142
Loans Receivable	-	-	275,672	275,672
Permanent Fund	-	-	35,000	35,000
Unreserved, Undesignated:				
General Fund	5,468,590	-	-	5,468,590
Special Revenue Funds	-	(19,649)	1,901,567	1,881,918
Debt Service Funds	-	-	160,057	160,057
Capital Projects Fund	-	-	4,129	4,129
Permanent Fund	<u>-</u>	<u>-</u>	<u>4,753</u>	<u>4,753</u>
 Total Fund Balances	 <u>5,519,608</u>	 <u>(9,863)</u>	 <u>2,471,516</u>	 <u>7,981,261</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,944,763</u>	 <u>\$ 330,643</u>	 <u>\$ 4,741,271</u>	 <u>\$ 12,016,677</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2009

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Total Governmental Fund Balances	\$ 7,981,261
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,154,289
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	812,312
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:	
Note Payable	(1,353,708)
Capital Lease Payable	(422,590)
Police and Fire Pension Obligations	(99,679)
General Obligation Bonds Payable	(5,585,000)
Accrued Interest on Long-Term Debt	(113,156)
Compensated Absences	<u>(642,030)</u>
Net Assets of Governmental Activities	<u>\$ 17,731,699</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2009

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 533,350	\$ 350,799	\$ 1,374,462	\$ 2,258,611
Municipal Income Taxes	6,503,119	-	-	6,503,119
Intergovernmental	885,121	-	1,718,252	2,603,373
Charges for Services	1,300,338	35	269,311	1,569,684
Licenses and Permits	27,878	-	-	27,878
Fees, Fines and Forfeitures	732,322	9,930	226,419	968,671
Special Assessments	113,754	-	197,790	311,544
Investment Income	91,137	-	3,233	94,370
Other Revenue	<u>175,987</u>	<u>4,931</u>	<u>1,312,543</u>	<u>1,493,461</u>
Total Revenues	<u>10,363,006</u>	<u>365,695</u>	<u>5,102,010</u>	<u>15,830,711</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	4,628,276	-	2,074,219	6,702,495
Security of Persons & Property	5,098	2,137,063	2,361,645	4,503,806
Transportation	-	-	2,441,184	2,441,184
Public Health & Welfare Services	-	-	266,596	266,596
Leisure Time Activities	-	-	595,460	595,460
Capital Outlay	10,901	24,974	662,029	697,904
Debt Service:				
Principal	-	-	425,668	425,668
Interest	<u>-</u>	<u>-</u>	<u>295,276</u>	<u>295,276</u>
Total Expenditures	<u>4,644,275</u>	<u>2,162,037</u>	<u>9,122,077</u>	<u>15,928,389</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>5,718,731</u>	<u>(1,796,342)</u>	<u>(4,020,067)</u>	<u>(97,678)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Long-Term Notes	-	-	1,353,708	1,353,708
Inception of a Capital Lease	-	-	461,117	461,117
Transfers In	-	1,818,200	2,780,622	4,598,822
Transfers Out	<u>(4,619,198)</u>	<u>-</u>	<u>(19,608)</u>	<u>(4,638,806)</u>
Total Other Financing Sources (Uses):	<u>(4,619,198)</u>	<u>1,818,200</u>	<u>4,575,839</u>	<u>1,774,841</u>
Net Change in Fund Balance	1,099,533	21,858	555,772	1,677,163
Fund Balance, Beginning of Year	<u>4,420,075</u>	<u>(31,721)</u>	<u>1,915,744</u>	<u>6,304,098</u>
Fund Balance, End of Year	<u>\$ 5,519,608</u>	<u>\$ (9,863)</u>	<u>\$ 2,471,516</u>	<u>\$ 7,981,261</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
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, 2009

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Total Change in Fund Balances - Governmental Funds \$ 1,677,163

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

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

Capital Asset Additions	697,904
Depreciation	(931,112)

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

Property Taxes	105,926
Income Taxes	(239,359)
Intergovernmental Revenue	(86,890)

Repayment of long-term debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets

425,668

Issuance of debt are recorded as an other financing source in the  
funds; however, in the statement of activities, they are not reported  
as revenues as they increase liabilities on the statement of net assets.

(1,814,825)

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:

Compensated Absences	(25,717)
Accrued Interest Payable	<u>9,690</u>

Change in Net Assets of Governmental Activities \$ (181,552)

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Proprietary Funds  
December 31, 2009

	Water Fund	Sewer Fund	Waste Fund	Total
<b>ASSETS:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,291,497	\$ 2,889,807	\$ 466,065	\$ 5,647,369
Receivables				
Accounts	240,858	223,425	206,731	671,014
Restricted Assets:				
Cash and Cash Equivalents	<u>394,633</u>	<u>779,500</u>	<u>181,117</u>	<u>1,355,250</u>
Total Current Assets	<u>2,926,988</u>	<u>3,892,732</u>	<u>853,913</u>	<u>7,673,633</u>
Noncurrent Assets:				
Unamortized Bond Issue Costs	465,813	-	-	465,813
Land and Construction in Progress	1,317,827	184,314	713,641	2,215,782
Capital Assets, net of accumulated depreciation	<u>20,146,488</u>	<u>11,627,579</u>	<u>1,845,998</u>	<u>33,620,065</u>
Total Noncurrent Assets	<u>21,930,128</u>	<u>11,811,893</u>	<u>2,559,639</u>	<u>36,301,660</u>
Total Assets	<u>\$ 24,857,116</u>	<u>\$ 15,704,625</u>	<u>\$ 3,413,552</u>	<u>\$ 43,975,293</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 49,687	\$ 170,788	\$ 31,810	\$ 252,285
Accrued Wages and Benefits	30,107	34,083	27,024	91,214
Accrued Compensated Absences	26,332	58,135	16,584	101,051
Accrued Interest Payable	27,837	37,684	14,367	79,888
Bond Anticipation Notes Payable	-	-	915,000	915,000
Mortgage Revenue Bonds Payable - current	<u>355,000</u>	<u>175,000</u>	<u>-</u>	<u>530,000</u>
Total Current Liabilities	<u>488,963</u>	<u>475,690</u>	<u>1,004,785</u>	<u>1,969,438</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	61,566	105,291	26,387	193,244
Postclosure Care	-	-	3,589,491	3,589,491
Mortgage Revenue Bonds Payable	13,330,000	1,780,000	-	15,110,000
Accrued Bond Premium	40,978	-	-	40,978
Deferred Amount on Refunding	<u>(425,902)</u>	<u>-</u>	<u>-</u>	<u>(425,902)</u>
Total Noncurrent Liabilities	<u>13,006,642</u>	<u>1,885,291</u>	<u>3,615,878</u>	<u>18,507,811</u>
Total Liabilities	<u>13,495,605</u>	<u>2,360,981</u>	<u>4,620,663</u>	<u>20,477,249</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	8,164,239	9,856,893	2,559,639	20,580,771
Restricted for:				
Utility Debt Service	394,633	779,500	181,117	1,355,250
Unrestricted	<u>2,802,639</u>	<u>2,707,251</u>	<u>(3,947,867)</u>	<u>1,562,023</u>
Total Net Assets	<u>11,361,511</u>	<u>13,343,644</u>	<u>(1,207,111)</u>	<u>23,498,044</u>
Total Liabilities and Net Assets	<u>\$ 24,857,116</u>	<u>\$ 15,704,625</u>	<u>\$ 3,413,552</u>	<u>\$ 43,975,293</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenses and  
Changes in Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2009

	Water Fund	Sewer Fund	Waste Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 2,716,476	\$ 2,517,376	\$ 1,835,168	\$ 7,069,020
Other Revenue	<u>17,708</u>	<u>7,528</u>	<u>2,933</u>	<u>28,169</u>
Total Operating Revenues	<u>2,734,184</u>	<u>2,524,904</u>	<u>1,838,101</u>	<u>7,097,189</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	755,131	1,049,549	866,466	2,671,146
Contractual Services	634,578	752,992	646,998	2,034,568
Materials and Supplies	169,667	794,743	801,741	1,766,151
Depreciation	675,627	857,183	356,527	1,889,337
Closure and Postclosure Care	-	-	9,891	9,891
Other Expenses	<u>170,577</u>	<u>100,000</u>	<u>10,100</u>	<u>280,677</u>
Total Operating Expenses	<u>2,405,580</u>	<u>3,554,467</u>	<u>2,691,723</u>	<u>8,651,770</u>
Operating Income (Loss)	<u>328,604</u>	<u>(1,029,563)</u>	<u>(853,622)</u>	<u>(1,554,581)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Intergovernmental	-	-	5,000	5,000
Investment Income	231,372	57,677	261	289,310
Interest and Fiscal Charges	<u>(693,151)</u>	<u>(103,756)</u>	<u>(14,367)</u>	<u>(811,274)</u>
Total Non-Operating Revenues (Expenses)	<u>(461,779)</u>	<u>(46,079)</u>	<u>(9,106)</u>	<u>(516,964)</u>
Income before Transfers	(133,175)	(1,075,642)	(862,728)	(2,071,545)
Transfers-In	<u>-</u>	<u>-</u>	<u>39,984</u>	<u>39,984</u>
Change in Net Assets	(133,175)	(1,075,642)	(822,744)	(2,031,561)
Net Assets, Beginning of Year	<u>11,494,686</u>	<u>14,419,286</u>	<u>(384,367)</u>	<u>25,529,605</u>
Net Assets, End of Year	<u>\$ 11,361,511</u>	<u>\$ 13,343,644</u>	<u>\$ (1,207,111)</u>	<u>\$ 23,498,044</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2009

	Water Fund	Sewer Fund	Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 2,753,413	\$ 2,529,712	\$ 1,811,136	\$ 7,094,261
Cash Paid for Employees Salaries and Benefits	(951,443)	(1,023,174)	(913,525)	(2,888,142)
Cash Paid to Suppliers	(769,805)	(1,523,291)	(1,432,323)	(3,725,419)
Other Operating Revenues	511	7,150	2,933	10,594
Net Cash Provided(Used) by Operating Activities	<u>1,032,676</u>	<u>(9,603)</u>	<u>(531,779)</u>	<u>491,294</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers	-	-	39,984	39,984
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>39,984</u>	<u>39,984</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Grants	-	-	5,000	5,000
Proceeds from Notes	-	-	915,000	915,000
Capital Expenditures	(177,312)	(204,235)	(5,277)	(386,824)
Principal on Mortgage Revenue Bonds	(1,870,000)	(165,000)	-	(2,035,000)
Interest Paid	(638,431)	(107,145)	-	(745,576)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(2,685,743)</u>	<u>(476,380)</u>	<u>914,723</u>	<u>(2,247,400)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment Income	231,372	57,677	261	289,310
Increase (Decrease) in Cash and Cash Equivalents	(1,421,695)	(428,306)	423,189	(1,426,812)
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>4,107,825</u>	<u>4,097,613</u>	<u>223,993</u>	<u>8,429,431</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 2,686,130</u>	<u>\$ 3,669,307</u>	<u>\$ 647,182</u>	<u>\$ 7,002,619</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Balance Sheet	\$ 2,291,497	\$ 2,889,807	\$ 466,065	\$ 5,647,369
Plus: Restricted Cash and Cash Equivalents	<u>394,633</u>	<u>779,500</u>	<u>181,117</u>	<u>1,355,250</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 2,686,130</u>	<u>\$ 3,669,307</u>	<u>\$ 647,182</u>	<u>\$ 7,002,619</u>

(Continued)

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2009  
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Operating Income (Loss)	\$ 328,604	\$ (1,029,563)	\$ (853,622)	\$ (1,554,581)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	675,627	857,183	356,527	1,889,337
Landfill Closure and Postclosure Costs	-	-	9,891	9,891
Changes in Assets and Liabilities:				
Accounts Receivable	19,740	11,958	(23,932)	7,766
Accounts Payable	1,665	127,179	3,603	132,447
Accrued Wages & Benefits	3,106	4,110	2,526	9,742
Accrued Compensated Absences	3,934	19,530	(26,772)	(3,308)
Net Cash Provided(Used) by Operating Activities	<u>\$ 1,032,676</u>	<u>\$ (9,603)</u>	<u>\$ (531,779)</u>	<u>\$ 491,294</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
December 31, 2009

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**ASSETS:**

Equity in Pooled Cash and Cash Equivalents	\$ 47,186
Total Assets	<u>\$ 47,186</u>

**LIABILITIES:**

Undistributed Monies	\$ 47,186
Total Liabilities	<u>\$ 47,186</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION**

The City of Wilmington (the "City") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by constitutions and laws of the State of Ohio. Wilmington, the county seat, is the only City in Clinton County. It is the major commercial and marketing center in the primarily agricultural county. The City was incorporated into a Village in 1828 and was reorganized as a City in 1921 under the general plan of the General (now revised) Code of Ohio. The City operates under the council-mayor form of government.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate. They provide various services including police and fire protection, emergency medical service, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. The City Council has direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City currently has no component units.

The Clinton County Municipal Court has been included in the City's financial statements as an agency fund. The Clerk of Courts has a fiduciary responsibility for the collection and distribution of court fees and fines.

The Clinton County General Health District is a jointly governed organization that provides health services within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. The City does not have any financial interest in, or responsibility for, the Health District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. There are twenty-one subscribing member cities of the self-insurance pool, including the City of Wilmington. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 13 for additional details.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Wilmington have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by a recipient of the goods or services offered by the program, 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 of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

Police Fund – The Police Fund is used to account for general operations of the police department of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; currently, the City has no internal service funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund – The water fund accounts for the provisions of water treatment and distribution to the residential and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the City.

Waste Fund – The waste fund accounts for the collection and disposal of refuse service to the residents and commercial users located within the City.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City only fiduciary fund is an agency fund used to account for municipal court collections that are distributed to various local governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the tax imposed takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

Unearned/Deferred Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance 2010 operations, have been recorded as unearned revenues in the statement of net assets. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, unearned revenue as well as receivables that will not be collected within the available period has been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization of certain accrued items, are not recognized in governmental funds.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Cash Equivalents**

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes. During fiscal year 2009, investments were limited to U.S. treasury notes, money market mutual funds, repurchase agreements and non-negotiable certificates of deposit. Except for nonparticipating investments, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investments such as repurchase agreements and certificates of deposit are reported at cost. See Note 4, Deposits and Investments. For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

**Capital Assets**

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective fund financial statements with the enterprise funds capital assets being reported in the business-type activities column of the government-wide statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two-thousand five-hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of proprietary capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	10-99 years	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

- The employees' rights to receive compensation are attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16 "Accounting for Compensated Absences". The vesting method was implemented and states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with twenty years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. At December 31, 2009, there were no accrued compensated absences that were recognized in the fund financial statements. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractual required pension obligations that will be paid from the governmental are reported as a liability in the fund financial statements only to the extent that they are due for payment from current-available resources. Long-term debt are recognized as a liability on the fund financial statements when due.

**Reservations of Fund Balance**

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balance has been reserved for encumbrances, loans receivable and endowment.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and the solid waste collection programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**Interfund Activity**

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

**Estimates**

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

**NOTE 3 – ACCOUNTABILITY**

At December 31, 2009 the following individual funds reported deficit fund balances: Police, Taxi, Lowe's Drive BAN, Lodging Excise Tax, Police Pension, Fire, Fire Pension, Emergency Ambulance, and Recreation Special Revenue Funds and Waste Proprietary Fund. The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool used by all funds. Each of the activities' portion of this pool is displayed on the Statement of Net Assets as "Equity in Pooled Cash and Cash Equivalents".

Statutes require the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

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

Deposits

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

**NOTE 4 – DEPOSITS AND INVESTMENTS** (Continued)

At year end the carrying amount of the City’s deposits was \$14,064,510 and the bank balance was \$14,325,714. Of the bank balance, \$4,281,306 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, \$10,044,408 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City’s name.

Investments

The City’s investments at December 31, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
US Treasury/Equivalents	\$ 760,055	N/A	\$ 760,055	\$ -	\$ -
Total Investments	<u>\$ 760,055</u>		<u>\$ 760,055</u>	<u>\$ -</u>	<u>\$ -</u>

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateralized securities that are in the possession of an outside party. All of the City’s investments are collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City.

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	\$ 14,824,565	-
Investments:		
US Treasury/Equivalents	<u>(760,055)</u>	<u>760,055</u>
Per Footnote	<u>\$ 14,064,510</u>	<u>760,055</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 5 – RECEIVABLES**

Receivables at December 31, 2009 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2009 with real property taxes.

2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate of for all City operations for the year ended December 31, 2009 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 247,744,260
Tangible Personal Property	505,740
Public Utility Tangible Personal Property Assessed Valuation	<u>4,596,560</u>
Total	<u>\$ 252,846,560</u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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 tax payers 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.

**CITY OF WILMINGTON, OHIO**  
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For the Year Ended December 31, 2009

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**NOTE 5 – RECEIVABLES** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009, 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 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

**Income Tax**

The City levies a 1.0% income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The General Fund receives all income tax proceeds.

**Due from Other Governments**

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 252,928
Homestead/Rollback	46,059
Gasoline tax	185,971
Motor vehicle license fees	37,344
Federal and State grants	<u>37,552</u>
Total	\$ <u>559,854</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2009, consisted of the following:

<u>Transfer To</u>	<u>General Fund</u>	<u>Transfer From Nonmajor Governmental Funds</u>	<u>Total</u>
Police Fund	\$ 1,818,200	\$ -	\$ 1,818,200
Waste Fund	39,984	-	39,984
Nonmajor Governmental Funds	<u>2,761,014</u>	<u>19,608</u>	<u>2,780,622</u>
Total	<u>\$ 4,619,198</u>	<u>\$ 19,608</u>	<u>\$ 4,638,806</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

During 2009, the City had a transfer from the non-major Permissive Tax Fund to the non-major Bond Retirement Fund to provide resources to allow debt service payments to be made.

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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2009</u>
<b><u>Governmental Activities:</u></b>				
Non-depreciable capital assets:				
Land	\$ 2,569,198	-	-	2,569,198
Non-depreciable capital assets	<u>2,569,198</u>	<u>-</u>	<u>-</u>	<u>2,569,198</u>
Depreciable capital assets:				
Buildings	8,871,491	-	-	8,871,491
Improvements	528,287	-	-	528,287
Equipment	2,895,750	110,861	-	3,006,611
Vehicles	6,594,611	587,043	-	7,181,654
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	3,538,413	-	-	3,538,413
Depreciable capital assets	<u>22,453,605</u>	<u>697,904</u>	<u>-</u>	<u>23,151,509</u>
Less: accumulated depreciation				
Buildings	(1,742,627)	(209,737)	-	(1,952,364)
Improvements	(108,859)	(33,862)	-	(142,721)
Equipment	(2,368,978)	(130,720)	-	(2,499,698)
Vehicles	(3,240,007)	(485,806)	-	(3,725,813)
Furniture & Fixtures	(23,817)	(1,235)	-	(25,052)
Infrastructure	(151,018)	(69,752)	-	(220,770)
Accumulated depreciation	<u>(7,635,306)</u>	<u>(931,112) *</u>	<u>-</u>	<u>(8,566,418)</u>
Depreciable capital assets, net	<u>14,818,299</u>	<u>(233,208)</u>	<u>-</u>	<u>14,585,091</u>
 Governmental activities capital assets, net	 \$ <u>17,387,497</u>	 <u>(233,208)</u>	 <u>-</u>	 <u>17,154,289</u>

\* - Depreciation expense was charged to governmental functions as follows:

General Government	\$ 199,681
Security of Persons & Property	408,201
Leisure Time Activities	45,849
Transportation	<u>277,381</u>
	<u>\$ 931,112</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 7 – CAPITAL ASSETS** (Continued)

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,640,927	-	-	1,640,927
Construction in Progress	402,820	172,035	-	574,855
Non-depreciable capital assets	<u>2,043,747</u>	<u>172,035</u>	<u>-</u>	<u>2,215,782</u>
Depreciable capital assets:				
Buildings	19,428,300	72,791	-	19,501,091
Improvements	25,670,196	-	-	25,670,196
Equipment	7,234,997	141,999	-	7,376,996
Vehicles	1,386,357	-	-	1,386,357
Depreciable capital assets	<u>53,719,850</u>	<u>214,790</u>	<u>-</u>	<u>53,934,640</u>
Less: accumulated depreciation				
Buildings	(2,823,254)	(432,086)	-	(3,255,340)
Improvements	(10,386,316)	(1,119,039)	-	(11,505,355)
Equipment	(4,081,447)	(274,405)	-	(4,355,852)
Vehicles	(1,134,221)	(63,807)	-	(1,198,028)
Accumulated depreciation	<u>(18,425,238)</u>	<u>(1,889,337)</u>	<u>-</u>	<u>(20,314,575)</u>
Depreciable capital assets, net	<u>35,294,612</u>	<u>(1,674,547)</u>	<u>-</u>	<u>33,620,065</u>
Business-Type activities capital assets, net	<u>\$ 37,338,359</u>	<u>(1,502,512)</u>	<u>-</u>	<u>35,835,847</u>

**NOTE 8: DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City of Wilmington participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent 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 that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS** (Continued)

For the year ended December 31, 2009, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. The employer contribution rate for 2009 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008 and 2007 were \$825,718, \$813,006 and \$779,227, respectively; 92 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee deferred benefit pension plan. OP&F provides retirement and disability 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's required contributions to OP&F for police and firefighters were \$515,458 for the year ended December 31, 2009, \$528,629 for 2008 and \$504,880 for 2007; 74 percent has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

**NOTE 9: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
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**NOTE 9 – POSTEMPLOYMENT BENEFITS** (Continued)

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2009, 2008 and 2007, which were used to fund post employment benefits were \$347,624, \$406,503 and \$255,976, respectively. The actual contribution and the actuarially required contribution amounts are the same.

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

***B. Ohio Police and Fire Pension Fund***

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

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

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

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

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
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**NOTE 9 – POSTEMPLOYMENT BENEFITS** (Continued)

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 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2009, 2008 and 2007 that were used to fund post employment benefits were \$161,196, \$165,780 and \$182,527 for police and firefighters, respectively.

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

Compensated Absences

Each full-time employee is entitled, for each completed 80 hours of service, to four and six-tenths hours of sick leave. Fire personnel earn 6.4 hours of sick leave bi-weekly. Part-time employees accrue sick leave on a proportional basis to the hours paid each pay period. Sick leave accruals may be increased by no more than 15 days a year to a maximum of 1200 hours in "Sick Leave Bank II".

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to three-fourths the number of hours of such accumulated sick leave in "Sick Leave Bank I" and one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2009, the estimated total absences payable of the City was \$936,325.

Vacation leave is granted in varying amounts, depending upon years of service and must be used within the year it is granted.

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
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**NOTE 11 – LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations of the City during 2009 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds Payable	\$ 5,970,000	\$ -	\$ 385,000	\$ 5,585,000	\$ 395,000
Note Payable	-	1,353,708	-	1,353,708	67,471
Capital Leases Payable	-	461,117	38,527	422,590	39,743
Compensated Absences	616,313	87,348	61,631	642,030	64,203
Police and Fire Pension	101,820	-	2,141	99,679	2,233
Total Governmental Activities	<u>\$ 6,688,133</u>	<u>\$ 1,902,173</u>	<u>\$ 487,299</u>	<u>\$ 8,103,007</u>	<u>\$ 568,650</u>
<i><u>Business-Type Activities:</u></i>					
Mortgage Revenue Bonds Payable	\$ 17,675,000	\$ -	\$ 2,035,000	\$ 15,640,000	\$ 530,000
Accrued Bond Premium	44,393	-	3,415	40,978	-
Less: Deferred Amounts					
Deferred Amount on Refunding	(452,606)	-	(26,704)	(425,902)	-
Total Mortgage Revenue Bonds	17,266,787	-	2,011,711	15,255,076	530,000
Estimated Liability for Landfill					
Closure and Postclosure Care	3,579,600	9,891	-	3,589,491	-
Compensated Absences	297,603	94,790	98,098	294,295	101,051
Total Business-Type Activities	<u>\$ 21,143,990</u>	<u>\$ 104,681</u>	<u>\$ 2,109,809</u>	<u>\$ 19,138,862</u>	<u>\$ 631,051</u>

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the government. The bonds will be retired from the debt service fund.

The City has three general obligation bond issues outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2003	Municipal Building Refunding	2.0% to 5.8%	\$ 3,020,000	\$ 2,195,000
2003	Fire Department	2.0% to 5.8%	4,000,000	2,905,000
2007	Fire Truck Acquisition	4.25%	605,000	485,000
			<u>\$ 7,625,000</u>	<u>\$ 5,585,000</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2010	\$ 395,000	\$ 240,618	\$ 635,618
2011	410,000	227,179	637,179
2012	420,000	212,731	632,731
2013	430,000	197,760	627,760
2014	445,000	182,075	627,075
2015-2019	2,440,000	541,290	2,981,290
2020-2021	1,045,000	66,640	1,111,640
Total	<u>\$ 5,585,000</u>	<u>\$ 1,668,293</u>	<u>\$ 7,253,293</u>

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2009 are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
1996	Sewer System Improvements	3.3% to 5.3%	\$ 3,645,000	\$ 1,955,000
1998	Water Works Improvements	4.35% to 5.25%	9,695,000	-
2005	Water Works Improvements	3.9% to 6.0%	5,525,000	4,455,000
2007	Water Works Improvements	4.0% to 4.25%	9,330,000	9,230,000
			<u>\$ 28,195,000</u>	<u>\$ 15,640,000</u>

The City has pledged future water and sewer revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water and sewer revenues. Total principal and interest paid during 2009 for the Water mortgage revenue bonds was \$1,096,380 compared with net revenue of \$1,004,230. Total principal and interest paid during the year for the Sewer mortgage revenue bonds was \$272,145 and net expense was \$172,380.

The City decided to extinguish the debt related to the 2005 Water Works Improvements Bond during the callable period in 2009. The City chose this alternative instead of raising customer rates in 2009. The payment made to eliminate this debt was \$1,412,050 of which \$1,405,000 was principal and the remaining \$7,050 was interest.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

Mortgage Revenue Bonds (Continued)

Annual debt service requirements to maturity for the mortgage revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2010	\$ 530,000	\$ 657,804	\$ 1,187,804
2011	550,000	636,750	1,186,750
2012	595,000	613,970	1,208,970
2013	615,000	589,426	1,204,426
2014	635,000	563,498	1,198,498
2015-2019	3,580,000	2,371,860	5,951,860
2020-2024	4,070,000	1,563,257	5,633,257
2025-2029	5,065,000	585,513	5,650,513
Total	<u>\$ 15,640,000</u>	<u>\$ 7,582,078</u>	<u>\$ 23,222,078</u>

Police and Fire Pension Liability

The police and fire pension obligation payable was entered into in 1997, with a total principal amount financed of \$121,574. These obligations were offered to assist governments throughout the State of Ohio to fund their unfunded pension costs associated with police and fire service. This obligation is being repaid by the police and fire pension funds through the use of local property tax revenues where the proceeds are to be used to pay this pension obligation and is included within the governmental activities.

Annual debt service requirements to maturity for the police and fire pension liability are as follows.

Year Ending December 31	Principal	Interest	Total
2010	\$ 2,233	\$ 4,212	\$ 6,445
2011	2,329	4,116	6,445
2012	2,429	4,016	6,445
2013	2,533	3,911	6,444
2014	2,642	3,803	6,445
2015-2019	15,015	17,211	32,226
2020-2024	18,553	13,670	32,223
2025-2029	22,862	9,361	32,223
2030-2034	28,212	4,011	32,223
2035	2,871	61	2,932
Total	<u>\$ 99,679</u>	<u>\$ 64,372</u>	<u>\$ 164,051</u>

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

Energy Conservation Improvement Note

The Energy Conservation Improvement Note was entered into in 2009, with a total principal amount financed of \$1,353,708. This note was issued for the purpose of funding energy conservation improvements to City buildings and facilities.

Annual debt service requirements to maturity for the energy conservation improvement note is as follows.

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 67,471	\$ 61,416	\$ 128,887
2011	64,905	63,982	128,887
2012	68,086	60,800	128,886
2013	71,776	57,111	128,887
2014	75,484	53,402	128,886
2015-2019	439,961	204,473	644,434
2020-2024	<u>566,025</u>	<u>78,408</u>	<u>644,433</u>
Total	<u>\$ 1,353,708</u>	<u>\$ 579,592</u>	<u>\$ 1,933,300</u>

Capital Lease

The City has one active capital lease with Kansas State Bank for a fire truck. The lease period was for ten years with annual principal and interest payments. The asset was capitalized for \$461,117.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

<u>Year Ending December 31</u>	
2010	\$ 57,135
2011	57,135
2012	57,135
2013	57,135
2014	57,135
2015-2018	<u>228,539</u>
Total Minimum Lease Payments	514,214
Less: Amount Representing Interest	<u>(91,624)</u>
Present Value of Minimum Lease Payments	<u>\$ 422,590</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 12 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2009 follows:

	Amount Outstanding 12/31/2008	Additions	Retirements	Amount Outstanding 12/31/2009
<b><u>Governmental Activities:</u></b>				
4.50% - 2008 Lowes/Davids Drive BAN	\$ 715,000	\$ -	\$ 715,000	\$ -
4.25% - 2009 Lowes/Davids Drive BAN	-	715,000	-	715,000
Total Governmental Activities	\$ 715,000	\$ 715,000	\$ 715,000	\$ 715,000
	Amount Outstanding 12/31/2008	Additions	Retirements	Amount Outstanding 12/31/2009
<b><u>Business-Type Activities:</u></b>				
4.25% - 2009 Landfill Facility Expansion BAN	-	915,000	-	915,000
Total Business-Type Activities	\$ -	\$ 915,000	\$ -	\$ 915,000

On July 26, 2009, the City issued a \$715,000 4.25% Bond Anticipation Note (BAN) to refinance a previously issued BAN used to pay for a portion of the construction for Lowes Road and Davids Drive. The 2009 BAN matures on July 25, 2010.

On August 20, 2009, the City issued a \$915,000 4.25% Bond Anticipation Note (BAN) to pay for a portion of the construction for the landfill facility expansion. The 2009 BAN matures on August 19, 2010.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2009, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 13 – RISK MANAGEMENT** (Continued)

The twenty-one participating cities and their respective pool contribution factors for the loss year ended December 31, 2009 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	10.47%	NAWA	0.06%
Bellbrook	0.57%	Piqua	4.86%
Blue Ash	7.93%	Sidney	6.32%
Centerville	1.90%	Springdale	5.32%
Englewood	1.33%	Tipp City	1.80%
Indian Hill	3.02%	Troy	8.56%
Kettering	7.15%	Vandalia	5.03%
Madeira	2.59%	West Carrollton	3.45%
Mason	8.23%	Wilmington	6.65%
Miamisburg	7.13%	Wyoming	3.05%
Montgomery	4.60%	Subtotal	<u>45.09%</u>
Subtotal	<u>54.91%</u>	Total	<u>100.00%</u>

The 2009 pool contribution from the City of Wilmington was \$340,647 representing 6.65% of the total collected from all members for that year's operating costs and projected loss reserves.

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

The following is a summary of insurance coverage at year end:

General Liability	\$ 10,000,000	per occurrence
Automobile	10,000,000	per occurrence
Police Professional Liability	10,000,000	per occurrence
Employment Practices & Public Officials Liability	10,000,000	Aggregate
Property	1,000,000,000	per occurrence
Flood (Zone specific)	25,000,000	per occurrence
Earthquake	25,000,000	per occurrence
Boiler & Machinery	100,000,000	per occurrence

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 13 – RISK MANAGEMENT** (Continued)

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence. The SIR for Boiler and Machinery is \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2009.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 14 – CONTINGENT LIABILITIES**

Litigation

The City is a defendant in various lawsuits and subject to various claims over which litigation has not yet commenced. Although the outcomes of these matters is not presently determinable, in the opinion of management and the law director, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants

For the period January 1, 2009 to December 31, 2009, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could result to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be financially insignificant.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009

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**NOTE 15 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require that the City place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City is required by generally accepted accounting principles to report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City is required by state and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2005. The \$3,589,491 reported as landfill closure and post-closure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill prior to vertical expansion and 13% of the capacity gained by the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$3,654,771. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

**NOTE 16 – CURRENT ECONOMIC EVENT**

In May 2008, the largest employer within the City of Wilmington, DHL announced its intention to contract its US package delivery operations with another company which would drastically reduce the workforce at the operations located at Wilmington Air Park. At the time of the announcement DHL, along with related ABX Air, employed approximately 7,500 at the Wilmington operations. After the negotiations with the other company fell through in late 2008, DHL announced it would no longer provide domestic delivery of packages but would continue to provide international shipping services. At the end of January 2009 domestic shipping ceased. In May 2009, DHL announced that all of its services within the United States would be consolidated at the Cincinnati-Northern Kentucky International Airport and that all operations at the Wilmington Air Park would be phased-out. This phase out was completed prior to the end of 2009.

The closing of the Air Park has had a significant economic effect on the City. Although the City was careful not to include income tax revenues from the Air Park in its operational budget, the ripple effect of losing its largest employer has put a strain on revenue collections and future planned expenditures. The Air Park is currently exploring ways to bring jobs back to the area.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 6,314,632	7,115,778	7,610,893	495,115
Special Assessments	94,380	140,894	113,754	(27,140)
Licenses and Permits	23,130	33,550	27,878	(5,672)
Intergovernmental	801,176	859,482	965,640	106,158
Charges for Services	1,079,090	1,415,565	1,300,605	(114,960)
Investment Income	75,661	139,700	91,193	(48,507)
Fees, Fines and Forfeitures	661,546	840,900	797,347	(43,553)
Other Revenue	<u>146,014</u>	<u>422,206</u>	<u>175,988</u>	<u>(246,218)</u>
 Total Revenues	 <u>9,195,629</u>	 <u>10,968,075</u>	 <u>11,083,298</u>	 <u>115,223</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	4,087,188	4,581,620	4,214,189	367,431
Security of Persons & Property	569,602	513,213	461,080	52,133
Capital Outlay	<u>36,000</u>	<u>41,047</u>	<u>10,901</u>	<u>30,146</u>
 Total Expenditures	 <u>4,692,790</u>	 <u>5,135,880</u>	 <u>4,686,170</u>	 <u>449,710</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>4,502,839</u>	 <u>5,832,195</u>	 <u>6,397,128</u>	 <u>564,933</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-Out	<u>(5,161,937)</u>	<u>(5,161,937)</u>	<u>(4,619,198)</u>	<u>542,739</u>
 Net Change in Fund Balance	 (659,098)	 670,258	 1,777,930	 1,107,672
Fund Balance, Beginning of Year	2,654,777	2,654,777	2,654,777	-
Prior Year Encumbrances Appropriated	<u>167,266</u>	<u>167,266</u>	<u>167,266</u>	<u>-</u>
 Fund Balances, End of Year	 \$ <u>2,162,945</u>	 <u>3,492,301</u>	 <u>4,599,973</u>	 <u>1,107,672</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Change  
In Fund Balance - Budget and Actual (Budget Basis)  
Police Fund  
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 385,513	350,799	350,799	-
Fees, Fines and Forfeitures	10,814	9,715	9,840	125
Other Revenue	<u>5,419</u>	<u>4,228</u>	<u>4,931</u>	<u>703</u>
Total Revenues	<u>401,746</u>	<u>364,742</u>	<u>365,570</u>	<u>828</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons & Property	2,398,281	2,188,811	2,158,918	29,893
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>24,974</u>	<u>26</u>
Total Expenditures	<u>2,423,281</u>	<u>2,213,811</u>	<u>2,183,892</u>	<u>29,919</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(2,021,535)</u>	<u>(1,849,069)</u>	<u>(1,818,322)</u>	<u>30,747</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	<u>1,998,124</u>	<u>1,822,369</u>	<u>1,818,200</u>	<u>(4,169)</u>
Total Other Financing Sources (Uses)	<u>1,998,124</u>	<u>1,822,369</u>	<u>1,818,200</u>	<u>(4,169)</u>
Net Change in Fund Balance	(23,411)	(26,700)	(122)	26,578
Fund Balance, Beginning of Year	9,296	9,296	9,296	-
Prior Year Encumbrances Appropriated	<u>23,412</u>	<u>23,412</u>	<u>23,412</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>9,297</u>	<u>6,008</u>	<u>32,586</u>	<u>26,578</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2009

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Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriation cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department for each fund. Budgetary modification may be made only by ordinance of the City Council.

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The City of Wilmington's (the City) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. All annual appropriations lapse at year-end to the extent they have not been expended or lawfully encumbered. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the City's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the City arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2009

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Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance controls expenditures at the fund, departmental, and object level and may be amended or supplemented only by council during the year as required. During the year, several supplemental appropriation measures were legally passed. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservation of fund balance for the subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual or earned (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures on the budget basis rather than as a reservation of fund balance for governmental funds on the GAAP basis.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2009

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue fund.

	<u>Changes in Fund Balances</u>	
	<u>General Fund</u>	<u>Police Fund</u>
GAAP Basis	\$ 1,099,533	21,858
Revenue Accruals	720,292	(125)
Expenditure Accruals	9,123	(12,069)
Encumbrances	<u>(51,018)</u>	<u>(9,786)</u>
Budget Basis	\$ <u>1,777,930</u>	<u>(122)</u>

**CITY OF WILMINGTON, OHIO**  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2009

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> <i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grant	A-F-07-201-1	14.218	\$ 11,189
Community Development Block Grant	A-F-08-201-1	14.218	4,500
Community Development Block Grant	A-D-07-201-1	14.218	<u>48,000</u>
			<u>63,689</u>
Total U.S. Department of Housing and Urban Development			<u>63,689</u>
<u>U.S. Department of Homeland Security</u> <i>(Passed through Ohio Department of Public Safety)</i>			
Assistance to Firefighters Grant	W462110N	97.044	<u>89,775</u>
Total U.S. Department of Homeland Security			<u>89,775</u>
<u>U.S. Department of Transportation</u> <i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction Grant	85645	20.205	100,168
Urban Mass Transit Operating Grant	RPT-4014-023-042	20.509	611,499
Urban Mass Transit Capital Grant - ARRA	RPT-4014-023-041	20.509	88,922
Urban Mass Transit Capital Grant	RPT-4014-023-041	20.509	99,168
Elderly and Handicapped Grant	EHTA-0014-004-041	20.509	<u>61,895</u>
			<u>861,484</u>
Total U.S. Department Transportation			<u>961,652</u>
Total Federal Awards			\$ <u>1,115,116</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - OUTSTANDING LOANS**

The City has established a revolving loan program to provide low-interest loans to stimulate economic activity that will strengthen the economics, employment and tax base in the City. The U.S Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule of Expenditures of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are not included as disbursements on the Schedule. At December 31, 2009, the gross amount of loans outstanding under this program were \$275,672.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the Schedule.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Wilmington, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness.

## **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the City in a separate letter dated June 29, 2010.

This report is intended solely for the information and use of the City's management, City Council, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 29, 2010

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council  
City of Wilmington, Ohio:

### **Compliance**

We have audited the compliance of the City of Wilmington, Ohio (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, City Council, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 29, 2010

**CITY OF WILMINGTON, OHIO  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2009**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to the financial statements noted?	none

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	no
Identification of major program:	
• <i>CFDA 20.509 – Urban Mass Transit Grant</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

## **Section II – Financial Statement Findings**

### **Finding 2009-1 – Audit Adjustments**

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that were not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct an error in the City's conversion process. The City understated its long term debt as the proceeds of energy conservation notes in the amount of \$1,353,708 were recorded as other revenue rather than a liability.

***Management response:** Management concurs with the finding.*

## **Section III – Federal Award Findings and Questioned Costs**

None.

**CITY OF WILMINGTON, OHIO**  
**Schedule of Prior Audit Findings**  
**Year Ended December 31, 2009**

**Finding 2008-1 – Audit Adjustments**

During the course of our audit, we identified misstatements in the financial statements for the year under audit that were not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to correct errors in the City's conversion process. A description of the adjustments follows:

- **Capital Assets.** An audit adjustment was necessary to correct an understatement of the City's capital assets in the Water Fund in the amount of approximately \$402,000.
- **Accounts Payable.** An audit adjustment was necessary to correct an overstatement of the City's accounts payable in the Police Fund in the amount of approximately \$60,000.

**Status:** *Repeated.*



**Mary Taylor, CPA**  
Auditor of State

**CITY OF WILMINGTON**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 14, 2010**



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## **City of Wilmington, Ohio**

Basic Financial Statements

Year Ended December 31, 2010

With Independent Auditors' Report





# Dave Yost • Auditor of State

City Council  
City of Wilmington  
69 N. South Street  
Wilmington, Ohio 45177

We have reviewed the *Independent Auditors' Report* of the City of Wilmington, Clinton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 28, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
City of Wilmington, Ohio:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and pages 49 through 53, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
June 30, 2011

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2010 are as follows:

- Total net assets of the City decreased by \$1.7 million during 2010 consisting of a \$1.1 million decrease in governmental activities and a \$0.6 million decrease in business-type activities.
- The General Fund had a decrease in fund balance of \$605,589 , a 11.6% decrease from the prior year.
- Proprietary fund operations posted operating loss of \$696,655 due primarily to operating expenses greater than operating revenues in both the Sewer Fund and Waste Fund.
- General Fund actual revenue amounts exceeded budgeted amounts while actual expenditures were less than the budgeted amounts. The General Fund reported an \$843,971 decrease in the budgetary fund balance for the year.

## **USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

## **REPORTING THE CITY AS A WHOLE**

### *Statement of Net Assets and the Statement of Activities*

"How did the City of Wilmington do financially in 2010?" The broad answer to this question can be obtained with a look at the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
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These two statements report the City's net assets and the change in those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- **Governmental Activities** – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.
- **Business-Type Activities** – These services include water, sewer, and waste. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

### **Reporting the City's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial statements, beginning on page 13, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

*Governmental Funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available in the near future to finance City programs. We detail the relationship between net assets of governmental activities, as reported in the Statement of Net Assets and the Statement of Activities, and governmental fund balances in a reconciliation on pages 14 and 16.

*Proprietary Funds* – City utility services for water, sewer and waste are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Assets and the Statement of Activities since they are reported in much the same manner as other business-type activities. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
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*Fiduciary Funds* – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 21. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 22.

**THE CITY AS A WHOLE**

The following table provides a summary of the City's net assets for 2010 as compared to 2009.

**Table 1**  
**Net Assets, December 31,**

	2010			2009		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b> (restated)	<b>Business- Type Activities</b> (restated)	<b>Total</b>
<b>Assets:</b>						
Current and Other Assets	\$ 10,723,397	7,558,755	18,282,152	12,016,677	8,139,446	20,156,123
Capital Assets	16,610,694	36,466,033	53,076,727	17,154,289	36,014,146	53,168,435
Total Assets	<u>27,334,091</u>	<u>44,024,788</u>	<u>71,358,879</u>	<u>29,170,966</u>	<u>44,153,592</u>	<u>73,324,558</u>
<b>Liabilities:</b>						
Current and Other Liabilities	3,463,979	939,047	4,403,026	3,681,807	1,338,387	5,020,194
Long-term Liabilities	7,603,392	20,049,755	27,653,147	8,103,007	19,138,862	27,241,869
Total Liabilities	<u>11,067,371</u>	<u>20,988,802</u>	<u>32,056,173</u>	<u>11,784,814</u>	<u>20,477,249</u>	<u>32,262,063</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	10,422,847	20,339,028	30,761,875	10,431,699	20,759,070	31,190,769
Restricted	196,207	1,210,490	1,406,697	461,814	1,355,250	1,817,064
Unrestricted	5,647,666	1,486,468	7,134,134	6,492,639	1,562,023	8,054,662
Total Net Assets	<u>\$ 16,266,720</u>	<u>23,035,986</u>	<u>39,302,706</u>	<u>17,386,152</u>	<u>23,676,343</u>	<u>41,062,495</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2010, the City's net assets were \$39.3 million. Of this amount, \$30.8 million was invested in capital assets and \$1.4 million was subject to external restrictions for its use. The remaining amount, \$7.1 million, was unrestricted and available for future use as directed by City Council and the City administration.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
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In total, net assets of the City decreased by \$1.7 million. The governmental activities decreased by \$1.1 million and business-type activities decreased by \$0.6 million during 2010. The decrease in the governmental activities is due primarily to decreased cash balances resulting from decreased revenues from prior year and depreciation expense exceeding capital asset additions in the current year. The decrease in the business-type activities was due to decreases in cash balances resulting primarily from operating expenditures exceeding operating revenues and debt issuances.

The following table provides a summary of the City's changes in net assets for 2010 as compared to 2009.

**Table 2**  
Change in Net Assets, December 31,

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities (restated)	Business- Type Activities (restated)	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,804,215	7,021,015	9,825,230	2,679,987	7,069,020	9,749,007
Operating Grants and Contributions	1,347,802	-	1,347,802	1,275,775	-	1,275,775
Capital Grants and Contributions	163,604	751,031	914,635	-	5,000	5,000
General Revenues:						
Property Taxes	2,506,165	-	2,506,165	2,562,327	-	2,562,327
Municipal Income Taxes	4,191,767	-	4,191,767	6,263,760	-	6,263,760
Grants and Contributions not Restricted	1,302,629	-	1,302,629	1,240,708	-	1,240,708
Investment Income	32,412	27,769	60,181	94,370	289,310	383,680
Other Revenue	320,098	53,118	373,216	1,493,463	28,169	1,521,632
Total Revenue	<u>12,668,692</u>	<u>7,852,933</u>	<u>20,521,625</u>	<u>15,610,390</u>	<u>7,391,499</u>	<u>23,001,889</u>
Expenses:						
General Government	4,941,402	-	4,941,402	7,249,698	-	7,249,698
Security of Persons & Property	5,105,422	-	5,105,422	4,933,203	-	4,933,203
Public Health and Welfare Services	209,578	-	209,578	266,596	-	266,596
Leisure Time Activities	550,092	-	550,092	642,602	-	642,602
Transportation	2,597,350	-	2,597,350	2,719,820	-	2,719,820
Water	-	3,297,178	3,297,178	-	3,098,731	3,098,731
Sewer	-	3,205,057	3,205,057	-	3,658,223	3,658,223
Waste	-	2,004,705	2,004,705	-	2,706,090	2,706,090
Interest Expense	370,630	-	370,630	285,586	-	285,586
Total Expenses	<u>13,774,474</u>	<u>8,506,940</u>	<u>22,281,414</u>	<u>16,097,505</u>	<u>9,463,044</u>	<u>25,560,549</u>
Transfers	(13,650)	13,650	-	(39,984)	39,984	-
Increase (Decrease) in Net Assets	(1,119,432)	(640,357)	(1,759,789)	(527,099)	(2,031,561)	(2,558,660)
Net Assets, Beginning of Year (restated)	<u>17,386,152</u>	<u>23,676,343</u>	<u>41,062,495</u>	<u>17,913,251</u>	<u>25,707,904</u>	<u>43,621,155</u>
Net Assets, End of Year	\$ <u>16,266,720</u>	<u>23,035,986</u>	<u>39,302,706</u>	<u>17,386,152</u>	<u>23,676,343</u>	<u>41,062,495</u>

**CITY OF WILMINGTON, OHIO**  
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**Governmental Activities**

The three functions with the largest expenditures are Security of Persons and Property, General Government, and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$3.3 million after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving \$1.3 million in property tax revenues, we see that approximately 34.3% of the net expense of \$4.0 million is paid by property tax revenues with the remaining 65.7% paid by income taxes, grants and other revenue. The third function, Transportation, covers the roads and streets of the City, which reports a net loss for 2010 of \$1.1 million due to the decrease in operating and capital grants received in the current year compared to the prior year. As indicated in Table 3, total governmental expenses decreased by \$2.3 million, which represents a 14.4% decrease.

**Business-Type Activities**

Overall, the City's business-type activities generated \$7.9 million of revenues, which fell short of the cost of doing business by \$0.6 million. In the current year, the Water Fund and Waste Fund reported decreases in net assets of \$593,700 and \$55,859, respectively, while the Sewer Fund reported a slight increase in net assets of \$9,202.

**Table 3**  
Total and Cost of Program Services

	<b>2010</b>		<b>2009</b>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service (restated)</u>	<u>Net Cost of Service (restated)</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 4,941,402	(3,333,833)	7,249,698	(5,490,083)
Security of Persons & Property	5,105,422	(3,908,590)	4,933,203	(3,947,182)
Public Health & Welfare Services	209,578	(190,455)	266,596	(252,342)
Leisure Time Activities	550,092	(550,092)	642,602	(642,602)
Transportation	2,597,350	(1,105,253)	2,719,820	(1,178,401)
Interest Expense	370,630	(370,630)	285,586	(285,586)
Total	<u>\$ 13,774,474</u>	<u>(9,458,853)</u>	<u>16,097,505</u>	<u>(11,796,196)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 3,297,178	(626,744)	3,098,731	(382,255)
Sewer	3,205,057	(34,425)	3,658,223	(1,140,847)
Waste	2,004,705	(73,725)	2,706,090	(865,922)
Total	<u>\$ 8,506,940</u>	<u>(734,894)</u>	<u>9,463,044</u>	<u>(2,389,024)</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlement grants.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
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Unaudited

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**THE CITY'S FUNDS**

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$6.4 million, of which \$5.8 million is unreserved. The total governmental funds balance of all governmental funds decreased by \$1.2 million during 2010.

The General Fund balance decreased by \$0.6 million, caused mainly by a \$2.4 million decrease in municipal income tax revenue reported for 2010 as compared with those from the prior year.

The Police Fund's balance decreased by \$27,020 from the balance reported one year prior.

Governmental fund revenues showed a decrease from 2009 of \$3.3 million or 20.9%. The largest decrease in revenues was related to municipal income taxes. As the City continued to deal with widespread unemployment during the current year, the revenues decreased correspondingly.

Explanation of the changes in the major enterprise funds of the City follow the same explanation as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same basis used in the City-wide statements.

***General Fund Budgeting Highlights***

The General Fund's final budgeted revenues were \$10.3 million while actual revenues exceeded this amount by \$55,110 for the year. The revenue estimates included in the City's final budget documents were \$0.4 million lower than original budget amounts due to tax receipts and amounts received for charges for services received during the year, falling short of estimates used in the development of the original budget.

Final budgeted amounts for expenditures and other financing uses were \$13.1 million while actual budgetary expenditures and other financing uses amounted to \$11.2 million. Actual expenditures were lower than the original budget.

The total decrease in budgetary fund balance for the General Fund was \$0.8 million for the year.

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

**Table 4**  
Capital Assets

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities (restated)	Total
Land	\$ 2,569,198	2,514,322	5,083,520	2,569,198	1,640,927	4,210,125
Infrastructure	3,538,413	-	3,538,413	3,538,413	-	3,538,413
Buildings	8,871,491	19,501,091	28,372,582	8,871,491	19,501,091	28,372,582
Improvements	528,287	26,423,350	26,951,637	528,287	26,423,350	26,951,637
Equipment	3,104,823	7,607,249	10,712,072	3,006,611	7,376,996	10,383,607
Vehicles	7,172,317	1,426,037	8,598,354	7,181,654	1,386,357	8,568,011
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Construction in Progress	163,604	1,245,640	1,409,244	-	-	-
Less:						
Accumulated Depreciation	<u>(9,362,492)</u>	<u>(22,251,656)</u>	<u>(31,614,148)</u>	<u>(8,566,418)</u>	<u>(20,314,575)</u>	<u>(28,880,993)</u>
Totals	\$ <u>16,610,694</u>	<u>36,466,033</u>	<u>53,076,727</u>	<u>17,154,289</u>	<u>36,014,146</u>	<u>53,168,435</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2010, amounts to \$53.1 million (net of accumulated depreciation). This investment in capital assets includes: land; construction in progress; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, decreased by \$0.1 million or 0.2%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of \$0.5 million. Depreciation expense for the year totaled \$876,576. Capital assets, net of accumulated depreciation in the business-type activities increased \$0.5 million as a result of the cost of assets acquired exceeding depreciation expense recognized during the year. See Note 7 to the basic financial statements for additional details on capital assets.

**Debt Administration**

At December 31, 2010, the City had total bonded debt in the amount of \$20.3 million, of which \$1.0 million is due within one year. Of the total bonded debt amount, \$5.2 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$15.1 million being mortgage revenue bonds for waterworks improvements and sewer bond refunding. During the year, the City issued debt of \$1.2 million and \$133,000 related to a sewer rehabilitation loan as well as a capital lease for a track loader, respectively. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$97,446.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property.

See Note 11 to the basic financial statements for additional details on the long-term debt of the City.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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**CONTACTING THE CITY'S FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact City Auditor, City of Wilmington, 69 North South Street, Wilmington, Ohio 45177.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Net Assets  
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,057,951	\$ 5,259,509	\$ 11,317,460
Receivables			
Taxes	3,272,022	-	3,272,022
Accounts	148,755	694,455	843,210
Loans Receivable	516,742	-	516,742
Accrued Interest	245	47	292
Due from Other Governments	688,531	-	688,531
Interfund Balance	39,151	(39,151)	-
Restricted Assets:			
Cash and Cash Equivalents	-	1,210,490	1,210,490
Unamortized Bond Issue Costs	-	433,405	433,405
Capital Assets:			
Capital Assets not subject to depreciation			
Land and Construction in Progress	2,732,802	3,759,962	6,492,764
Capital Assets, net of accumulated depreciation	<u>13,877,892</u>	<u>32,706,071</u>	<u>46,583,963</u>
 Total Assets	 <u>27,334,091</u>	 <u>44,024,788</u>	 <u>71,358,879</u>
<b>LIABILITIES:</b>			
Accounts Payable	379,419	173,048	552,467
Accrued Wages and Benefits	357,395	99,215	456,610
Insurance Claims Payable	218,397	-	218,397
Accrued Interest Payable	129,845	66,784	196,629
Unearned Revenue	1,763,923	-	1,763,923
Bond Anticipation Notes Payable	615,000	600,000	1,215,000
Noncurrent Liabilities:			
Due Within One Year	583,299	747,585	1,330,884
Due In More than One Year	<u>7,020,093</u>	<u>19,302,170</u>	<u>26,322,263</u>
 Total Liabilities	 <u>11,067,371</u>	 <u>20,988,802</u>	 <u>32,056,173</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Debt	10,422,847	20,339,028	30,761,875
Restricted for:			
Debt Service	161,207	-	161,207
Utility Debt Service	-	1,210,490	1,210,490
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>5,647,666</u>	<u>1,486,468</u>	<u>7,134,134</u>
 Total Net Assets	 <u>\$ 16,266,720</u>	 <u>\$ 23,035,986</u>	 <u>\$ 39,302,706</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2010

<b>Functions/Programs:</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 4,941,402	\$ 1,441,928	\$ 2,037	\$ 163,604	\$ (3,333,833)		\$ (3,333,833)
Security of Persons & Property	5,105,422	1,075,452	121,380	-	(3,908,590)		(3,908,590)
Public Health & Welfare Services	209,578	11,173	7,950	-	(190,455)		(190,455)
Leisure Time Activities	550,092	-	-	-	(550,092)		(550,092)
Transportation	2,597,350	275,662	1,216,435	-	(1,105,253)		(1,105,253)
Interest Expense	370,630	-	-	-	(370,630)		(370,630)
Total Governmental Activities	<u>13,774,474</u>	<u>2,804,215</u>	<u>1,347,802</u>	<u>163,604</u>	<u>(9,458,853)</u>		<u>(9,458,853)</u>
<b>Business-Type Activities:</b>							
Water	3,297,178	2,670,434	-	-		(626,744)	(626,744)
Sewer	3,205,057	2,468,134	-	702,498		(34,425)	(34,425)
Waste	2,004,705	1,882,447	-	48,533		(73,725)	(73,725)
Total Business-Type Activities	<u>8,506,940</u>	<u>7,021,015</u>	<u>-</u>	<u>751,031</u>		<u>(734,894)</u>	<u>(734,894)</u>
Total	<u>\$ 22,281,414</u>	<u>\$ 9,825,230</u>	<u>\$ 1,347,802</u>	<u>\$ 914,635</u>	<u>(9,458,853)</u>	<u>(734,894)</u>	<u>(10,193,747)</u>
<b>General Revenues:</b>							
Municipal income taxes, levied for:							
General purposes					4,191,767	-	4,191,767
Property Taxes Levied for:							
General purposes					606,379	-	606,379
Security of persons & property					1,339,580	-	1,339,580
Street lighting					199,259	-	199,259
Leisure time activities					360,947	-	360,947
Grants and Contributions not Restricted to Specific Programs					1,302,629	-	1,302,629
Investment earnings					32,412	27,769	60,181
Miscellaneous					320,098	53,118	373,216
			Total General Revenues		8,353,071	80,887	8,433,958
Transfers					(13,650)	13,650	-
			Total General Revenues and Transfers		8,339,421	94,537	8,433,958
			Change in Net Assets		(1,119,432)	(640,357)	(1,759,789)
Net Assets, Beginning of Year (restated)					17,386,152	23,676,343	41,062,495
Net Assets, End of Year					<u>\$ 16,266,720</u>	<u>\$ 23,035,986</u>	<u>\$ 39,302,706</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Governmental Funds  
December 31, 2010

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,865,936	\$ 31,913	\$ 2,160,102	\$ 6,057,951
Receivables:				
Taxes	1,883,698	286,126	1,102,198	3,272,022
Accounts	99,728	6,672	42,355	148,755
Loans Receivable	-	-	516,742	516,742
Accrued Interest	78	-	167	245
Due from Other Funds	91,861	-	-	91,861
Due from Other Governments	407,948	6,833	273,750	688,531
 Total Assets	\$ 6,349,249	\$ 331,544	\$ 4,095,314	\$ 10,776,107
<b>LIABILITIES:</b>				
Accounts Payable	\$ 261,453	\$ 3,771	\$ 114,195	\$ 379,419
Accrued Wages and Benefits	69,701	52,465	235,229	357,395
Insurance Claims Payable	218,397	-	-	218,397
Due to Other Funds	-	19,232	33,478	52,710
Deferred Revenue	1,199,621	292,959	1,224,504	2,717,084
Bond Anticipation Notes Payable	-	-	615,000	615,000
 Total Liabilities	1,749,172	368,427	2,222,406	4,340,005
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances	27,310	10,418	73,419	111,147
Loans Receivable	-	-	516,742	516,742
Permanent Fund	-	-	35,000	35,000
Unreserved, Undesignated:				
General Fund	4,572,767	-	-	4,572,767
Special Revenue Funds	-	(47,301)	1,075,818	1,028,517
Debt Service Funds	-	-	161,207	161,207
Capital Projects Fund	-	-	3,809	3,809
Permanent Fund	-	-	6,913	6,913
 Total Fund Balances	4,600,077	(36,883)	1,872,908	6,436,102
 Total Liabilities and Fund Balances	\$ 6,349,249	\$ 331,544	\$ 4,095,314	\$ 10,776,107

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 December 31, 2010

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Total Governmental Fund Balances	\$	6,436,102
 <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.		16,610,694
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		953,161
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:		
Note Payable		(1,286,237)
Capital Lease Payable		(382,847)
Police and Fire Pension Obligations		(97,446)
General Obligation Bonds Payable		(5,190,000)
Accrued Interest on Long-Term Debt		(129,845)
Compensated Absences		<u>(646,862)</u>
Net Assets of Governmental Activities	\$	<u>16,266,720</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES;</b>				
Property Taxes	\$ 595,954	\$ 339,075	\$ 1,324,712	\$ 2,259,741
Municipal Income Taxes	4,106,756	-	-	4,106,756
Intergovernmental	959,139	-	1,846,223	2,805,362
Charges for Services	1,447,811	6,475	285,657	1,739,943
Licenses and Permits	28,158	-	-	28,158
Fees, Fines and Forfeitures	741,202	7,304	210,139	958,645
Special Assessments	77,469	-	199,259	276,728
Investment Income	30,029	-	2,383	32,412
Other Revenue	86,560	25,995	207,543	320,098
	<u>8,073,078</u>	<u>378,849</u>	<u>4,075,916</u>	<u>12,527,843</u>
Total Revenues				
<b>EXPENDITURES:</b>				
Current:				
General Government	4,259,751	-	558,504	4,818,255
Security of Persons & Property	6,832	2,216,522	2,445,156	4,668,510
Transportation	-	-	2,308,767	2,308,767
Public Health & Welfare Services	-	-	209,578	209,578
Leisure Time Activities	-	-	517,326	517,326
Capital Outlay	-	-	332,981	332,981
Debt Service:				
Principal	-	-	504,447	504,447
Interest	-	-	353,941	353,941
	<u>4,266,583</u>	<u>2,216,522</u>	<u>7,230,700</u>	<u>13,713,805</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>3,806,495</u>	<u>(1,837,673)</u>	<u>(3,154,784)</u>	<u>(1,185,962)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	1,810,653	2,587,781	4,398,434
Transfers Out	<u>(4,412,084)</u>	<u>-</u>	<u>-</u>	<u>(4,412,084)</u>
Total Other Financing Sources (Uses):	<u>(4,412,084)</u>	<u>1,810,653</u>	<u>2,587,781</u>	<u>(13,650)</u>
Net Change in Fund Balance	(605,589)	(27,020)	(567,003)	(1,199,612)
Fund Balance, Beginning of Year (restated)	<u>5,205,666</u>	<u>(9,863)</u>	<u>2,439,911</u>	<u>7,635,714</u>
Fund Balance, End of Year	<u>\$ 4,600,077</u>	<u>\$ (36,883)</u>	<u>\$ 1,872,908</u>	<u>\$ 6,436,102</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2010

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Total Change in Fund Balances - Governmental Funds \$ (1,199,612)

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

Governmental fund report capital outlays as expenditures.

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

Capital Asset Additions	332,981
Depreciation	(876,576)

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

Property Taxes	47,165
Income Taxes	85,011
Intergovernmental Revenue	8,673

Repayment of long-term debt principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets

504,447

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:

Compensated Absences	(4,832)
Accrued Interest Payable	<u>(16,689)</u>

Change in Net Assets of Governmental Activities

\$ (1,119,432)

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Proprietary Funds  
December 31, 2010

	Water Fund	Sewer Fund	Waste Fund	Total
<b>ASSETS:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,115,511	\$ 2,545,765	\$ 598,233	\$ 5,259,509
Receivables				
Accounts	249,381	225,926	219,148	694,455
Accrued Interest	21	26	-	47
Restricted Assets:				
Cash and Cash Equivalents	<u>424,023</u>	<u>786,467</u>	<u>-</u>	<u>1,210,490</u>
Total Current Assets	<u>2,788,936</u>	<u>3,558,184</u>	<u>817,381</u>	<u>7,164,501</u>
Noncurrent Assets:				
Unamortized Bond Issue Costs	433,405	-	-	433,405
Land and Construction in Progress	742,972	2,303,349	713,641	3,759,962
Capital Assets, net of accumulated depreciation	<u>20,181,252</u>	<u>10,826,089</u>	<u>1,698,730</u>	<u>32,706,071</u>
Total Noncurrent Assets	<u>21,357,629</u>	<u>13,129,438</u>	<u>2,412,371</u>	<u>36,899,438</u>
Total Assets	<u>\$ 24,146,565</u>	<u>\$ 16,687,622</u>	<u>\$ 3,229,752</u>	<u>\$ 44,063,939</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 59,646	\$ 66,032	\$ 47,370	\$ 173,048
Accrued Wages and Benefits	35,145	35,130	28,940	99,215
Due to Other Funds	14,713	12,974	11,464	39,151
Accrued Compensated Absences	36,413	59,641	17,761	113,815
Accrued Interest Payable	24,347	34,096	8,341	66,784
Bond Anticipation Notes Payable	-	-	600,000	600,000
Long-Term Notes Payable - current	-	40,826	-	40,826
Capital Lease Payable - current	-	-	42,944	42,944
Mortgage Revenue Bonds Payable - current	<u>365,000</u>	<u>185,000</u>	<u>-</u>	<u>550,000</u>
Total Current Liabilities	<u>535,264</u>	<u>433,699</u>	<u>756,820</u>	<u>1,725,783</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	61,826	101,263	30,155	193,244
Postclosure Care	-	-	3,615,691	3,615,691
Notes Payable	-	1,204,814	-	1,204,814
Capital Lease Payable	-	-	90,056	90,056
Mortgage Revenue Bonds Payable	12,965,000	1,595,000	-	14,560,000
Accrued Bond Premium	37,563	-	-	37,563
Deferred Amount on Refunding	<u>(399,198)</u>	<u>-</u>	<u>-</u>	<u>(399,198)</u>
Total Noncurrent Liabilities	<u>12,665,191</u>	<u>2,901,077</u>	<u>3,735,902</u>	<u>19,302,170</u>
Total Liabilities	<u>13,200,455</u>	<u>3,334,776</u>	<u>4,492,722</u>	<u>21,027,953</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	7,955,859	10,103,798	2,279,371	20,339,028
Restricted for:				
Utility Debt Service	424,023	786,467	-	1,210,490
Unrestricted	<u>2,566,228</u>	<u>2,462,581</u>	<u>(3,542,341)</u>	<u>1,486,468</u>
Total Net Assets	<u>10,946,110</u>	<u>13,352,846</u>	<u>(1,262,970)</u>	<u>23,035,986</u>
Total Liabilities and Net Assets	<u>\$ 24,146,565</u>	<u>\$ 16,687,622</u>	<u>\$ 3,229,752</u>	<u>\$ 44,063,939</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenses and  
Changes in Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2010

	Water Fund	Sewer Fund	Waste Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 2,670,434	\$ 2,468,134	\$ 1,882,447	\$ 7,021,015
Other Revenue	<u>20,700</u>	<u>28,272</u>	<u>4,146</u>	<u>53,118</u>
Total Operating Revenues	<u>2,691,134</u>	<u>2,496,406</u>	<u>1,886,593</u>	<u>7,074,133</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	1,076,720	1,147,034	981,095	3,204,849
Contractual Services	699,477	296,089	282,068	1,277,634
Materials and Supplies	190,885	818,694	305,314	1,314,893
Depreciation	718,390	848,523	370,168	1,937,081
Closure and Postclosure Care	-	-	26,200	26,200
Other Expenses	<u>-</u>	<u>-</u>	<u>10,131</u>	<u>10,131</u>
Total Operating Expenses	<u>2,685,472</u>	<u>3,110,340</u>	<u>1,974,976</u>	<u>7,770,788</u>
Operating Income (Loss)	<u>5,662</u>	<u>(613,934)</u>	<u>(88,383)</u>	<u>(696,655)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Intergovernmental	-	702,498	48,533	751,031
Investment Income	12,344	15,355	70	27,769
Interest and Fiscal Charges	<u>(611,706)</u>	<u>(94,717)</u>	<u>(29,729)</u>	<u>(736,152)</u>
Total Non-Operating Revenues (Expenses)	<u>(599,362)</u>	<u>623,136</u>	<u>18,874</u>	<u>42,648</u>
Income before Transfers	(593,700)	9,202	(69,509)	(654,007)
Transfers-In	<u>-</u>	<u>-</u>	<u>13,650</u>	<u>13,650</u>
Change in Net Assets	(593,700)	9,202	(55,859)	(640,357)
Net Assets, Beginning of Year (restated)	<u>11,539,810</u>	<u>13,343,644</u>	<u>(1,207,111)</u>	<u>23,676,343</u>
Net Assets, End of Year	<u>\$ 10,946,110</u>	<u>\$ 13,352,846</u>	<u>\$ (1,262,970)</u>	<u>\$ 23,035,986</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2010

	Water Fund	Sewer Fund	Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 2,661,911	\$ 2,467,519	\$ 1,870,885	\$ 7,000,315
Cash Paid for Employees Salaries and Benefits	(1,045,808)	(1,135,864)	(972,773)	(3,154,445)
Cash Paid to Suppliers	(881,223)	(1,219,210)	(571,950)	(2,672,383)
Other Operating Revenues	20,700	26,386	3,291	50,377
Net Cash Provided by Operating Activities	<u>755,580</u>	<u>138,831</u>	<u>329,453</u>	<u>1,223,864</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers	-	-	13,650	13,650
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>13,650</u>	<u>13,650</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Grants	-	702,498	48,533	751,031
Proceeds from Notes	-	1,245,640	600,000	1,845,640
Capital Expenditures	-	(2,166,068)	(89,900)	(2,255,968)
Principal on General Obligation BAN	-	-	(915,000)	(915,000)
Principal on Mortgage Revenue Bonds	(355,000)	(175,000)	-	(530,000)
Interest Paid	(559,499)	(98,305)	(35,755)	(693,559)
Net Cash Used by Capital and Related Financing Activities	<u>(914,499)</u>	<u>(491,235)</u>	<u>(392,122)</u>	<u>(1,797,856)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment Income	12,323	15,329	70	27,722
Decrease in Cash and Cash Equivalents	(146,596)	(337,075)	(48,949)	(532,620)
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>2,686,130</u>	<u>3,669,307</u>	<u>647,182</u>	<u>7,002,619</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 2,539,534</u>	<u>\$ 3,332,232</u>	<u>\$ 598,233</u>	<u>\$ 6,469,999</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Balance Sheet	\$ 2,115,511	\$ 2,545,765	\$ 598,233	\$ 5,259,509
Plus: Restricted Cash and Cash Equivalents	<u>424,023</u>	<u>786,467</u>	<u>-</u>	<u>1,210,490</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 2,539,534</u>	<u>\$ 3,332,232</u>	<u>\$ 598,233</u>	<u>\$ 6,469,999</u>

(Continued)

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2010  
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Operating Income (Loss)	\$ 5,662	\$ (613,934)	\$ (88,383)	\$ (696,655)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	718,390	848,523	370,168	1,937,081
Landfill Closure and Postclosure Costs	-	-	26,200	26,200
Changes in Assets and Liabilities:				
Accounts Receivable	(8,523)	(2,501)	(12,417)	(23,441)
Accounts Payable	9,959	(104,756)	15,560	(79,237)
Accrued Wages & Benefits	5,038	1,047	1,916	8,001
Due to Other Funds	14,713	12,974	11,464	39,151
Accrued Compensated Absences	<u>10,341</u>	<u>(2,522)</u>	<u>4,945</u>	<u>12,764</u>
Net Cash Provided by Operating Activities	<u>\$ 755,580</u>	<u>\$ 138,831</u>	<u>\$ 329,453</u>	<u>\$ 1,223,864</u>

Noncash Capital and Related Financing Items:

During 2010, the City acquired capital assets totaling \$133,000 through capital lease agreements.

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
December 31, 2010

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**ASSETS:**

Equity in Pooled Cash and Cash Equivalents	\$ 33,780
Total Assets	<u>\$ 33,780</u>

**LIABILITIES:**

Undistributed Monies	\$ 33,780
Total Liabilities	<u>\$ 33,780</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION**

The City of Wilmington (the "City") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by constitutions and laws of the State of Ohio. Wilmington, the county seat, is the only City in Clinton County. It is the major commercial and marketing center in the primarily agricultural county. The City was incorporated into a Village in 1828 and was reorganized as a City in 1921 under the general plan of the General (now revised) Code of Ohio. The City operates under the council-mayor form of government.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate. They provide various services including police and fire protection, emergency medical service, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. The City Council has direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City currently has no component units.

The Clinton County Municipal Court has been included in the City's financial statements as an agency fund. The Clerk of Courts has a fiduciary responsibility for the collection and distribution of court fees and fines.

The Clinton County General Health District is a jointly governed organization that provides health services within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. The City does not have any financial interest in, or responsibility for, the Health District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. There are twenty-one subscribing member cities of the self-insurance pool, including the City of Wilmington. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 13 for additional details.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Wilmington have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by a recipient of the goods or services offered by the program, 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 of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

Police Fund – The Police Fund is used to account for general operations of the police department of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; currently, the City has no internal service funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund – The water fund accounts for the provisions of water treatment and distribution to the residential and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the City.

Waste Fund – The waste fund accounts for the collection and disposal of refuse service to the residents and commercial users located within the City.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City only fiduciary fund is an agency fund used to account for municipal court collections that are distributed to various local governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the tax imposed takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

Unearned/Deferred Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance 2011 operations, have been recorded as unearned revenues in the statement of net assets. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, unearned revenue as well as receivables that will not be collected within the available period has been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization of certain accrued items, are not recognized in governmental funds.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Cash Equivalents**

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes. During fiscal year 2010, investments were limited to U.S. treasury notes. Investments are reported at fair market value, which is based on quoted market prices. See Note 4, Deposits and Investments. For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

**Capital Assets**

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective fund financial statements with the enterprise funds capital assets being reported in the business-type activities column of the government-wide statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two-thousand five-hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of proprietary capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	10-99 years	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

- The employees' rights to receive compensation are attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16 "Accounting for Compensated Absences". The vesting method was implemented and states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with twenty years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. At December 31, 2010, there were no accrued compensated absences that were recognized in the fund financial statements. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractual required pension obligations that will be paid from the governmental are reported as a liability in the fund financial statements only to the extent that they are due for payment from current-available resources. Long-term debt are recognized as a liability on the fund financial statements when due.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents, as well as investments, set aside in separate depository accounts for the repayment of revenue mortgage debt.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reservations of Fund Balance**

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balance has been reserved for encumbrances, loans receivable and endowment.

**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. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and the solid waste collection programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**Interfund Activity**

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

**Estimates**

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

**NOTE 3 – ACCOUNTABILITY**

At December 31, 2010 the following individual funds reported deficit fund balances: Police, Permissive Tax, Taxi, 2009 CDBG Tier I, Community Corrections, Lodging Excise Tax, Police Pension, Fire Pension and Emergency Ambulance Special Revenue Funds and Waste Proprietary Fund. The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool used by all funds. Each of the activities' portion of this pool is displayed on the Statement of Net Assets as "Equity in Pooled Cash and Cash Equivalents".

Statutes require the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

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

Deposits

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 4 – DEPOSITS AND INVESTMENTS** (Continued)

At year end the carrying amount of the City’s deposits was \$11,767,138 and the bank balance was \$12,008,707. Of the bank balance, \$4,223,707 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, \$7,785,000 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City’s name.

Investments

The City’s investments at December 31, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
US Treasury/Equivalents	\$ 794,592	N/A	\$ 794,592	\$ -	\$ -
Total Investments	\$ 794,592		\$ 794,592	\$ -	\$ -

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateralized securities that are in the possession of an outside party. All of the City’s investments are collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City.

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	\$ 12,561,730	-
Investments:		
US Treasury/Equivalents	(794,592)	794,592
Per Footnote	\$ 11,767,138	794,592

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 5 – RECEIVABLES**

Receivables at December 31, 2010 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2010 with real property taxes.

2010 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2009. Collections are made in 2010. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate of for all City operations for the year ended December 31, 2010 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 231,344,540
Tangible Personal Property	252,680
Public Utility Tangible Personal Property Assessed Valuation	<u>4,800,430</u>
Total	\$ <u>236,397,650</u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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 tax payers 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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 5 – RECEIVABLES** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010, 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 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

**Income Tax**

The City levies a 1.0% income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The General Fund receives all income tax proceeds.

**Due from Other Governments**

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 274,177
Homestead/Rollback	44,631
Gasoline tax	203,591
Motor vehicle license fees	16,507
Estate Tax	121,661
Federal and State grants	<u>27,964</u>
Total	\$ <u>688,531</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 6 - INTERFUND ACTIVITY**

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfer To	<u>Transfer From</u>
	General Fund
Police Fund	\$ 1,810,653
Waste Fund	13,650
Nonmajor Governmental Funds	2,587,781
Total	\$ 4,412,084

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Amounts due to one fund from another occurred during the year as the amounts paid from the City's various funds to the self-insurance program did not meet the current year claims expense plus the year-end accrual for claims payable. A summary of the interfund due to and due from amounts as of December 31, 2010 is below:

Due From	<u>Due To</u>
	General Fund
Police Fund	\$ 19,232
Water Fund	14,713
Sewer Fund	12,974
Waste Fund	11,464
Nonmajor Governmental Funds	33,478
Total	\$ 91,861

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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> 12/31/2009	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2010
<b><u>Governmental Activities:</u></b>				
Non-depreciable capital assets:				
Land	\$ 2,569,198	-	-	2,569,198
Construction in Progress	-	163,604	-	163,604
Non-depreciable capital assets	<u>2,569,198</u>	<u>163,604</u>	<u>-</u>	<u>2,732,802</u>
Depreciable capital assets:				
Buildings	8,871,491	-	-	8,871,491
Improvements	528,287	-	-	528,287
Equipment	3,006,611	98,212	-	3,104,823
Vehicles	7,181,654	71,165	(80,502)	7,172,317
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	3,538,413	-	-	3,538,413
Depreciable capital assets	<u>23,151,509</u>	<u>169,377</u>	<u>(80,502)</u>	<u>23,240,384</u>
Less: accumulated depreciation				
Buildings	(1,952,364)	(188,547)	-	(2,140,911)
Improvements	(142,721)	(26,731)	-	(169,452)
Equipment	(2,499,698)	(147,815)	-	(2,647,513)
Vehicles	(3,725,813)	(443,731)	80,502	(4,089,042)
Furniture & Fixtures	(25,052)	-	-	(25,052)
Infrastructure	(220,770)	(69,752)	-	(290,522)
Accumulated depreciation	<u>(8,566,418)</u>	<u>(876,576) *</u>	<u>80,502</u>	<u>(9,362,492)</u>
Depreciable capital assets, net	<u>14,585,091</u>	<u>(707,199)</u>	<u>-</u>	<u>13,877,892</u>
Governmental activities capital assets, net	<u>\$ 17,154,289</u>	<u>(543,595)</u>	<u>-</u>	<u>16,610,694</u>

\* - Depreciation expense was charged to governmental functions as follows:

General Government	\$ 107,273
Security of Persons & Property	444,686
Leisure Time Activities	38,664
Transportation	<u>285,953</u>
	<u>\$ 876,576</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 7 – CAPITAL ASSETS** (Continued)

	Restated Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,640,927	873,395	-	2,514,322
Construction in Progress	-	1,245,640	-	1,245,640
Non-depreciable capital assets	<u>1,640,927</u>	<u>2,119,035</u>	<u>-</u>	<u>3,759,962</u>
Depreciable capital assets:				
Buildings	19,501,091	-	-	19,501,091
Improvements	26,423,350	-	-	26,423,350
Equipment	7,376,996	230,253	-	7,607,249
Vehicles	1,386,357	39,680	-	1,426,037
Depreciable capital assets	<u>54,687,794</u>	<u>269,933</u>	<u>-</u>	<u>54,957,727</u>
Less: accumulated depreciation				
Buildings	(3,255,340)	(432,086)	-	(3,687,426)
Improvements	(11,505,355)	(1,164,093)	-	(12,669,448)
Equipment	(4,355,852)	(279,837)	-	(4,635,689)
Vehicles	(1,198,028)	(61,065)	-	(1,259,093)
Accumulated depreciation	<u>(20,314,575)</u>	<u>(1,937,081)</u>	<u>-</u>	<u>(22,251,656)</u>
Depreciable capital assets, net	<u>34,373,219</u>	<u>(1,667,148)</u>	<u>-</u>	<u>32,706,071</u>
Business-Type activities capital assets, net	<u>\$ 36,014,146</u>	<u>451,887</u>	<u>-</u>	<u>36,466,033</u>

**NOTE 8: DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City of Wilmington participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent 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 that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS** (Continued)

For the year ended December 31, 2010, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. The employer contribution rate for 2010 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were \$796,830, \$825,718 and \$813,006, respectively; 92 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee deferred benefit pension plan. OP&F provides retirement and disability 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's required contributions to OP&F for police and firefighters were \$492,748 for the year ended December 31, 2010, \$515,458 for 2009 and \$528,629 for 2008; 75 percent has been contributed for 2010. The full amount has been contributed for 2009 and 2008.

**NOTE 9: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 9 – POSTEMPLOYMENT BENEFITS** (Continued)

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

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2010, the employer contribution allocated to the health care plan was 5.5% of covered payroll from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2010, 2009 and 2008, which were used to fund post employment benefits were \$290,123, \$347,624 and \$406,503, respectively. The actual contribution and the actuarially required contribution amounts are the same.

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

***B. Ohio Police and Fire Pension Fund***

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

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

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

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

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

**CITY OF WILMINGTON, OHIO**  
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**NOTE 9 – POSTEMPLOYMENT BENEFITS** (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered 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, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2010, 2009 and 2008 that were used to fund post employment benefits were \$154,633, \$161,196 and \$165,780 for police and firefighters, respectively.

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

Compensated Absences

Each full-time employee is entitled, for each completed 80 hours of service, to four and six-tenths hours of sick leave. Fire personnel earn 6.4 hours of sick leave bi-weekly. Part-time employees accrue sick leave on a proportional basis to the hours paid each pay period. Sick leave accruals may be increased by no more than 15 days a year to a maximum of 1200 hours in "Sick Leave Bank II".

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to three-fourths the number of hours of such accumulated sick leave in "Sick Leave Bank I" and one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2010, the estimated total absences payable of the City was \$953,921.

Vacation leave is granted in varying amounts, depending upon years of service and must be used within the year it is granted.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 11 – LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations of the City during 2010 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds Payable	\$ 5,585,000	\$ -	\$ 395,000	\$ 5,190,000	\$ 410,000
Note Payable	1,353,708	-	67,471	1,286,237	64,905
Capital Leases Payable	422,590	-	39,743	382,847	41,379
Compensated Absences	642,030	69,035	64,203	646,862	64,686
Police and Fire Pension	99,679	-	2,233	97,446	2,329
Total Governmental Activities	<u>\$ 8,103,007</u>	<u>\$ 69,035</u>	<u>\$ 568,650</u>	<u>\$ 7,603,392</u>	<u>\$ 583,299</u>
<i>Business-Type Activities:</i>					
Mortgage Revenue Bonds Payable	\$ 15,640,000	\$ -	\$ 530,000	\$ 15,110,000	\$ 550,000
Accrued Bond Premium	40,978	-	3,415	37,563	-
Less: Deferred Amounts					
Deferred Amount on Refunding	(425,902)	-	(26,704)	(399,198)	-
Total Mortgage Revenue Bonds	15,255,076	-	506,711	14,748,365	550,000
Note Payable	-	1,245,640	-	1,245,640	40,826
Capital Lease Payable	-	133,000	-	133,000	42,944
Estimated Liability for Landfill					
Closure and Postclosure Care	3,589,491	26,200	-	3,615,691	-
Compensated Absences	294,295	113,815	101,051	307,059	113,815
Total Business-Type Activities	<u>\$ 19,138,862</u>	<u>\$ 1,518,655</u>	<u>\$ 607,762</u>	<u>\$ 20,049,755</u>	<u>\$ 747,585</u>

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the government. The bonds will be retired from the debt service fund.

The City has three general obligation bond issues outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2003	Municipal Building Refunding	2.0% to 5.8%	\$ 3,020,000	\$ 2,050,000
2003	Fire Department	2.0% to 5.8%	4,000,000	2,715,000
2007	Fire Truck Acquisition	4.25%	605,000	425,000
			<u>\$ 7,625,000</u>	<u>\$ 5,190,000</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 410,000	\$ 227,179	\$ 637,179
2012	420,000	212,731	632,731
2013	430,000	197,760	627,760
2014	445,000	182,075	627,075
2015	465,000	159,195	624,195
2016-2020	2,485,000	425,997	2,910,997
2021	535,000	22,738	557,738
Total	<u>\$ 5,190,000</u>	<u>\$ 1,427,675</u>	<u>\$ 6,617,675</u>

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2010 are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
1996	Sewer System Improvements	3.3% to 5.3%	\$ 3,645,000	\$ 1,780,000
2005	Water Works Improvements	3.9% to 6.0%	5,525,000	4,150,000
2007	Water Works Improvements	4.0% to 4.25%	9,330,000	9,180,000
			<u>\$ 18,500,000</u>	<u>\$ 15,110,000</u>

The City has pledged future water and sewer revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water and sewer revenues. Total principal and interest paid during 2010 for the Water mortgage revenue bonds was \$914,499 compared with net revenue of \$724,052. Total principal and interest paid during the year for the Sewer mortgage revenue bonds was \$273,305 and net revenue was \$234,589.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

Mortgage Revenue Bonds (Continued)

Annual debt service requirements to maturity for the mortgage revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 550,000	\$ 636,750	\$ 1,186,750
2012	595,000	613,970	1,208,970
2013	615,000	589,426	1,204,426
2014	635,000	563,498	1,198,498
2015	660,000	536,051	1,196,051
2016-2020	3,665,000	2,215,511	5,880,511
2021-2025	4,250,000	1,387,099	5,637,099
2026-2029	4,140,000	381,969	4,521,969
Total	<u>\$ 15,110,000</u>	<u>\$ 6,924,274</u>	<u>\$ 22,034,274</u>

OWDA Loan Payable

At December 31, 2010, the City had a long-term loan outstanding with the Ohio Water Development Authority (OWDA). This loan was used to finance improvements of the City's sewer system infrastructure. The following is a summary of the loan outstanding at year end, which is to be repaid through receipts collected in the Sewer fund:

Year of Origination	Initial Loan Principal	Interest Rate	Year of Maturity
*2010	1,245,640	4.15%	2030

\*Although the loan has been approved and the City has drawn down all of the funds, an amortization schedule is not available at this time.

Police and Fire Pension Liability

The police and fire pension obligation payable was entered into in 1997, with a total principal amount financed of \$121,574. These obligations were offered to assist governments throughout the State of Ohio to fund their unfunded pension costs associated with police and fire service. This obligation is being repaid by the police and fire pension funds through the use of local property tax revenues where the proceeds are to be used to pay this pension obligation and is included within the governmental activities.

Annual debt service requirements to maturity for the police and fire pension liability are as follows.

Year Ending December 31	Principal	Interest	Total
2011	\$ 2,329	\$ 4,116	\$ 6,445
2012	2,429	4,016	6,445
2013	2,533	3,911	6,444
2014	2,642	3,803	6,445
2015	2,756	3,689	6,445
2016-2020	15,658	16,566	32,224
2021-2025	19,349	12,874	32,223
2026-2030	23,844	8,379	32,223
2031-2035	25,906	2,806	28,712
Total	<u>\$ 97,446</u>	<u>\$ 60,160</u>	<u>\$ 157,606</u>

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**NOTE 11 – LONG-TERM OBLIGATIONS** (Continued)

Energy Conservation Improvement Note

The Energy Conservation Improvement Note was entered into in 2009, with a total principal amount financed of \$1,353,708. This note was issued for the purpose of funding energy conservation improvements to City buildings and facilities.

Annual debt service requirements to maturity for the energy conservation improvement note is as follows.

Year Ending December 31	Principal	Interest	Total
2011	\$ 64,905	\$ 63,982	\$ 128,887
2012	68,086	60,800	128,886
2013	71,776	57,111	128,887
2014	75,484	53,402	128,886
2015	79,384	49,502	128,886
2016-2020	462,615	181,818	644,433
2021-2024	463,987	51,559	515,546
Total	<u>\$ 1,286,237</u>	<u>\$ 518,174</u>	<u>\$ 1,804,411</u>

Capital Leases

The City has an active capital lease with Kansas State Bank for a fire truck that is recorded in governmental activities. The lease period was for ten years with annual principal and interest payments. The asset was capitalized for \$461,117.

The City has an active capital lease with Caterpillar Financial Services Corporation for a track loader that is recorded in business-type activities. The lease period was for three years with annual principal and interest payments. The asset was capitalized for \$133,000.

The following is a schedule of the future long-term minimum lease payments required under each capital lease and the present value of the minimum lease payments.

Year Ending December 31	Fire Truck	Track Loader
2011	\$ 57,135	\$ 47,282
2012	57,135	47,283
2013	57,135	47,283
2014	57,135	-
2015	57,135	-
2016-2018	171,405	-
Total Minimum Lease Payments	457,080	141,848
Less: Amount Representing Interest	(74,233)	(8,848)
Present Value of Minimum Lease Payments	<u>\$ 382,847</u>	<u>\$ 133,000</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 12 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2010 follows:

	<u>Amount Outstanding 12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2010</u>
<b><u>Governmental Activities:</u></b>				
4.25% - 2009 Lowes/Davids Drive BAN	\$ 715,000	\$ -	\$ 715,000	\$ -
2.95% - 2010 Various Purpose General Obligation BAN	<u>-</u>	<u>615,000</u>	<u>-</u>	<u>615,000</u>
Total Governmental Activities	<u>\$ 715,000</u>	<u>\$ 615,000</u>	<u>\$ 715,000</u>	<u>\$ 615,000</u>
	<u>Amount Outstanding 12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2010</u>
<b><u>Business-Type Activities:</u></b>				
4.25% - 2009 Landfill Facility Expansion BAN	\$ 915,000	\$ -	\$ 915,000	\$ -
2.95% - 2010 Various Purpose General Obligation BAN	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total Business-Type Activities	<u>\$ 915,000</u>	<u>\$ 600,000</u>	<u>\$ 915,000</u>	<u>\$ 600,000</u>

On July 21, 2010, the City issued a \$1,215,000 2.95% Bond Anticipation Note (BAN) to refinance two previously issued BANs used to pay for a portion of the construction for Lowes Road and Davids Drive (\$615,000) and the construction for the landfill facility expansion (\$600,000), respectively. The 2010 BAN matures on July 20, 2011.

**NOTE 13 – RISK MANAGEMENT**

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2010, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 13 – RISK MANAGEMENT** (Continued)

The twenty-one participating cities and their respective pool contribution factors for the loss year ended December 31, 2010 are:

Entity	Percentage	Entity	Percentage
Beavercreek	8.66%	NAWA	0.06%
Bellbrook	1.08%	Piqua	6.49%
Blue Ash	8.69%	Sidney	5.94%
Centerville	2.55%	Springdale	4.52%
Englewood	2.40%	Tipp City	2.27%
Indian Hill	3.32%	Troy	7.86%
Kettering	6.07%	Vandalia	3.88%
Madeira	2.37%	West Carrollton	3.89%
Mason	9.72%	Wilmington	6.55%
Miamisburg	6.08%	Wyoming	3.34%
Montgomery	4.23%	Subtotal	44.81%
Subtotal	55.18%	Total	100.00%

The 2010 pool contribution from the City of Wilmington was \$398,891 representing 6.55% of the total collected from all members for that year's operating costs and projected loss reserves.

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

The following is a summary of insurance coverage at year end:

General Liability	\$ 10,000,000	per occurrence
Automobile	10,000,000	per occurrence
Police Professional Liability	10,000,000	per occurrence
Employment Practices & Public Officials Liability	10,000,000	Aggregate
Property	1,000,000,000	per occurrence
Flood (Zone specific)	25,000,000	per occurrence
Earthquake	25,000,000	per occurrence
Boiler & Machinery	100,000,000	per occurrence
Cyber Coverage	100,000,000	per occurrence

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence. The SIR for Boiler and Machinery is \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2010.

**CITY OF WILMINGTON, OHIO  
CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 13 – RISK MANAGEMENT** (Continued)

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee life insurance. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Self-Insured Health Insurance**

Beginning in 2009, the City provides health and dental insurance coverage for its employees through a self-insurance plan administered by Benovation, Inc. Benovations, Inc. provides claims review and processing services. This program is accounted for in the General Fund and is funded through premium contributions provided by the City as well as a portion from City employees. Program year runs from April 1 through March 31 of each year. Stop loss insurance is purchased through HCC Insurance Co. to cover loss in excess of \$55,000 per individual or \$1,872,153 in aggregate for the plan year ended March 31, 2011. The City expects that all claims will be settled within one year.

Changes in claims activity for employee health insurance benefits for the past fiscal year are as follows. Additional information on changes in claims will be presented in future years as additional data is gathered.

Year	Restated Balance 12/31/2009	Current Year Claims	Current Year Claim Payments	Balance 12/31/2010
2010	\$ 345,547	2,037,565	2,164,715	218,397

**NOTE 14 – CONTINGENT LIABILITIES**

**Litigation**

The City is a defendant in various lawsuits and subject to various claims over which litigation has not yet commenced. Although the outcomes of these matters is not presently determinable, in the opinion of management and the law director, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Grants**

For the period January 1, 2010 to December 31, 2010, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could result to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be financially insignificant.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 15 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require that the City place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City is required by generally accepted accounting principles to report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City is required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2005. The \$3,615,691 reported as landfill closure and post-closure care liability at December 31, 2010, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill prior to vertical expansion and 24% of the capacity gained by the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$3,697,897. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

**NOTE 16 – RESTATEMENT OF BEGINNING BALANCE**

During 2010, the City reclassified and added certain expenditures in previous years related to two capital projects in the Water Fund. In 2009, capital expenditures of \$574,855 were recorded as Construction in Progress, however it was subsequently determined that this project was actually complete as of December 31, 2009. The City also had additional expenditures related to the project in the amount of \$178,299. The City also determined that certain funds should be combined and reported with the General Fund in the current year. Finally, the City had a self-insurance liability associated with the program that was instituted in 2009.

As a result of these reclassifications and addition of expenditures, the beginning balance of the General Fund, Nonmajor Governmental Funds, Governmental Activities, Business-Type Activities and the Water Fund require the following restatement:

	General Fund	Nonmajor Governmental Funds	Governmental Activities	Business-Type Activities	Water Fund
Fund balance/net assets reported at 12/31/2009	\$ 5,519,608	\$ 2,471,516	\$ 17,731,699	\$ 23,498,044	\$ 11,361,511
Combination of certain funds with general fund for reporting purposes	31,605	(31,605)	-	-	-
Addition of claims payable balance associated with self-insurance program	(345,547)	-	(345,547)	-	-
Addition of capital expenditures associated with water projects	-	-	-	178,299	178,299
Restated fund balance/net assets at 01/01/2010	<u>\$ 5,205,666</u>	<u>\$ 2,439,911</u>	<u>\$ 17,386,152</u>	<u>\$ 23,676,343</u>	<u>\$ 11,539,810</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 5,047,608	4,728,119	4,768,985	40,866
Special Assessments	81,995	77,469	77,469	-
Licenses and Permits	29,803	28,077	28,158	81
Intergovernmental	933,789	845,412	882,245	36,833
Charges for Services	1,527,718	1,402,549	1,443,389	40,840
Investment Income	31,756	29,410	30,003	593
Fees, Fines and Forfeitures	792,943	739,469	749,173	9,704
Other Revenue	<u>2,199,617</u>	<u>2,426,043</u>	<u>2,352,236</u>	<u>(73,807)</u>
 Total Revenues	 <u>10,645,229</u>	 <u>10,276,548</u>	 <u>10,331,658</u>	 <u>55,110</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	6,713,794	7,075,258	6,241,802	833,456
Security of Persons & Property	574,927	577,326	521,743	55,583
Capital Outlay	<u>-</u>	<u>28,078</u>	<u>-</u>	<u>28,078</u>
 Total Expenditures	 <u>7,288,721</u>	 <u>7,680,662</u>	 <u>6,763,545</u>	 <u>917,117</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>3,356,508</u>	 <u>2,595,886</u>	 <u>3,568,113</u>	 <u>972,227</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-Out	<u>(5,326,592)</u>	<u>(5,444,932)</u>	<u>(4,412,084)</u>	<u>1,032,848</u>
 Total Other Financing Sources (Uses)	 <u>(5,326,592)</u>	 <u>(5,444,932)</u>	 <u>(4,412,084)</u>	 <u>1,032,848</u>
 Net Change in Fund Balance	 (1,970,084)	 (2,849,046)	 (843,971)	 2,005,075
Fund Balance, Beginning of Year (restated)	4,631,578	4,631,578	4,631,578	-
Prior Year Encumbrances Appropriated	<u>51,018</u>	<u>51,018</u>	<u>51,018</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>2,712,512</u>	<u>1,833,550</u>	<u>3,838,625</u>	<u>2,005,075</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
Police Fund  
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 356,177	339,075	339,075	-
Fees, Fines and Forfeitures	7,672	7,304	7,304	-
Other Revenue	<u>27,306</u>	<u>22,923</u>	<u>25,995</u>	<u>3,072</u>
Total Revenues	<u>391,155</u>	<u>369,302</u>	<u>372,374</u>	<u>3,072</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons & Property	<u>2,298,916</u>	<u>2,203,905</u>	<u>2,203,905</u>	-
Total Expenditures	<u>2,298,916</u>	<u>2,203,905</u>	<u>2,203,905</u>	-
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(1,907,761)</u>	<u>(1,834,603)</u>	<u>(1,831,531)</u>	<u>3,072</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Total Other Financing Sources (Uses)	<u>1,901,976</u>	<u>1,810,653</u>	<u>1,810,653</u>	-
Net Change in Fund Balance	(5,785)	(23,950)	(20,878)	3,072
Fund Balance, Beginning of Year	32,586	32,586	32,586	-
Prior Year Encumbrances Appropriated	<u>9,786</u>	<u>9,786</u>	<u>9,786</u>	-
Fund Balances, End of Year	\$ <u>36,587</u>	<u>18,422</u>	<u>21,494</u>	<u>3,072</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2010

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Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriation cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department for each fund. Budgetary modification may be made only by ordinance of the City Council.

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The City of Wilmington's (the City) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. All annual appropriations lapse at year-end to the extent they have not been expended or lawfully encumbered. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the City's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the City arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2010

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Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance controls expenditures at the fund, departmental, and object level and may be amended or supplemented only by council during the year as required. During the year, several supplemental appropriation measures were legally passed. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservation of fund balance for the subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Schedules of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual or earned (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures on the budget basis rather than as a reservation of fund balance for governmental funds on the GAAP basis.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2010

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue fund.

	<u>Changes in Fund Balances</u>	
	General Fund	Police Fund
GAAP Basis	\$ (605,589)	(27,020)
Revenue Accruals	2,258,580	(6,475)
Expenditure Accruals	(2,469,652)	23,035
Encumbrances	(27,310)	(10,418)
Budget Basis	\$ (843,971)	(20,878)

Restatement

During 2010, the City combined certain funds with the general fund for reporting purposes as described in Note 16 in the Notes to the Basic Financial Statements. This restatement caused the beginning balance of the general fund in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) to change from \$4,599,973 as of December 31, 2009 to \$4,631,578 as of December 31, 2010.

**CITY OF WILMINGTON, OHIO**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2010**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> <i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grant	A-F-08-201-1	14.218	\$ 3,600
Community Development Block Grant	A-F-09-2EP-1	14.218	7,950
Community Development Block Grant	A-T-09-2EP-1	14.218	<u>13,875</u>
			<u>25,425</u>
Total U.S. Department of Housing and Urban Development			<u>25,425</u>
<u>U.S. Department of Justice</u> <i>(Passed through Ohio Office of Criminal Justice Services)</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	2009-RA-A02-2270	16.803	<u>79,042</u>
Total U.S. Department of Justice			
<u>U.S. Department of Transportation</u> <i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction Grant	84114	20.205	4,000
Urban Mass Transit Operating Grant	RPT-4014-030-101	20.509	432,090
Urban Mass Transit Operating Grant - Replacement	RPT-0014-026-091	20.509	403
ARRA - Urban Mass Transit Capital Grant	RPTS-0014-001-093	20.509	67,071
Urban Mass Transit Capital Grant	RPT-0014-030-102	20.509	<u>119,421</u>
			<u>618,985</u>
Total U.S. Department Transportation			<u>622,985</u>
Total Federal Awards			\$ <u>727,452</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - OUTSTANDING LOANS**

The City has established a revolving loan program to provide low-interest loans to stimulate economic activity that will strengthen the economics, employment and tax base in the City. The U.S Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule of Expenditures of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are not included as disbursements on the Schedule. At December 31, 2010, the gross amount of loans outstanding under this program were \$516,742.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the Schedule.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council  
City of Wilmington, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the "City") as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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## **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the City in a separate letter dated June 30, 2011.

This report is intended solely for the information and use of the City's management, the Mayor and City Council, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 30, 2011

## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and City Council  
City of Wilmington, Ohio:

### **Compliance**

We have audited the City of Wilmington, Ohio's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, the Mayor and City Council, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
June 30, 2011

**CITY OF WILMINGTON, OHIO  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2010**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to the financial statements noted?	none

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	no
Identification of major program:	
• <i>CFDA 20.509 – Urban Mass Transit Grant</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

## **Section II – Financial Statement Findings**

### **Finding 2010-1 – Restatement of Financial Statements**

As disclosed in Note 16 of the financial statements, the City restated governmental activities net assets, the business-type activities net assets, and certain fund balances as of December 31, 2009. The City identified construction in progress of \$178,299 that should have been capitalized. Also, the City had an outstanding liability for self-insurance medical claims of \$345,547 that was not reported on the financial statements as of December 31, 2009. Prior period adjustments were made to accurately account for the claims payable and construction in progress. Prior period adjustments to financial statements are an indicator of deficiencies in internal control over financial reporting.

***Management response:** Management concurs with the finding.*

## **Section III – Federal Award Findings and Questioned Costs**

None.

**CITY OF WILMINGTON, OHIO**  
**Schedule of Prior Audit Findings**  
**Year Ended December 31, 2010**

**Finding 2009-1 – Audit Adjustments**

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that were not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct an error in the City's conversion process. The City understated its long term debt as the proceeds of energy conservation notes in the amount of \$1,353,708 were recorded as other revenue rather than a liability.

**Status:** *Corrected.*



# Dave Yost • Auditor of State

CITY OF WILMINGTON

CLINTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 9, 2011

INDIVIDUAL FUND WORKSHEETS  
EXPENDITURES

SUPPLEMENTAL-DISPATCH

12/31/2010

EXPENDITURES:

Personal Services	487,616.77
Travel and Transportation	-
Contractual Services	30,215.38
Supplies and Materials	3,911.07
Capital Outlay	-
Debt Service	-
Other Uses	-
Transfers Out	-
<b>TOTAL</b>	<b>521,743.22</b>

INDIVIDUAL FUND WORKSHEETS  
EXPENDITURES

SUPPLEMENTAL-DISPATCH

12/31/2009

EXPENDITURES:

Personal Services	461,079.68
Travel and Transportation	-
Contractual Services	38,695.40
Supplies and Materials	2,536.74
Capital Outlay	10,900.74
Debt Service	-
Other Uses	-
Transfers Out	-
<b>TOTAL</b>	<b>513,212.56</b>

**INDIVIDUAL FUND WORKSHEETS  
EXPENDITURES**

**SUPPLEMENTAL-DISPATCH**

12/31/2008

**EXPENDITURES:**

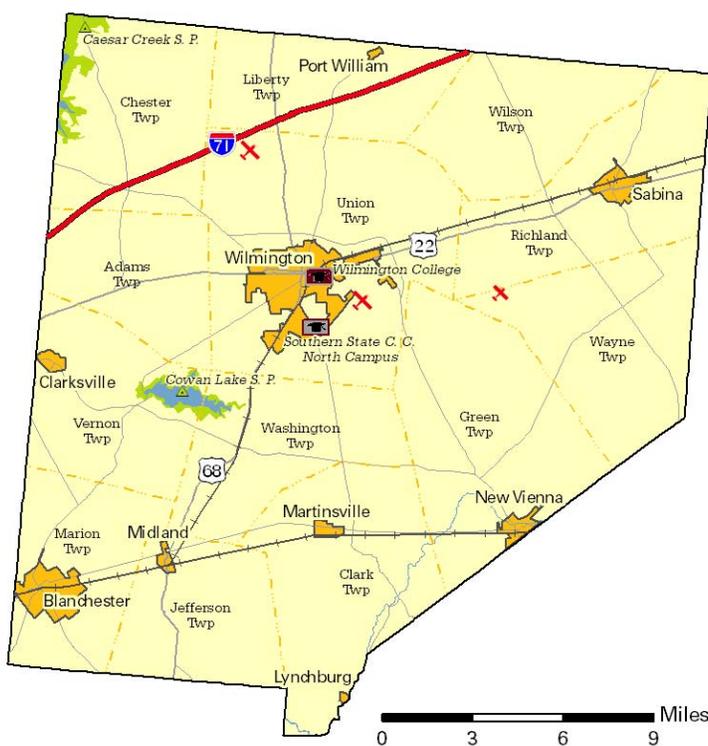
Personal Services	471,925.11
Travel and Transportation	-
Contractual Services	35,463.18
Supplies and Materials	3,010.98
Capital Outlay	19,525.00
Debt Service	-
Other Uses	-
Transfers Out	-
<b>TOTAL</b>	<b>529,924.27</b>

# Ohio County Profiles

Prepared by the Office of Policy, Research and Strategic Planning

## Clinton County

**Established:** Act - March 1, 1810  
**2010 Population:** 42,040  
**Land Area:** 410.9 square miles  
**County Seat:** Wilmington City  
**Named for:** George Clinton, Vice President under Jame Madison



### Taxes

Taxable value of real property	\$811,688,710
Residential	\$507,342,770
Agriculture	\$119,882,250
Industrial	\$53,961,180
Commercial	\$130,502,510
Mineral	\$0
Ohio income tax liability	\$23,096,152
Average per return	\$1,156.60

### Land Use/Land Cover

	Percent
Urban (Residential/Commercial/Industrial/Transportation and Urban Grasses)	2.13%
Cropland	71.01%
Pasture	10.21%
Forest	16.14%
Open Water	0.38%
Wetlands (Wooded/Herbaceous)	0.00%
Bare/Mines	0.13%

### Largest Places

	Census 2010	Census 2000
Wilmington city	12,520	11,921
Blanchester village (pt.)	4,243	4,220
Sabina village	2,564	2,780
New Vienna village	1,224	1,294
Clarksville village	548	497
Martinsville village	463	440
Midland village	315	265
Port William village	254	258
Lynchburg village (pt.)	2	2

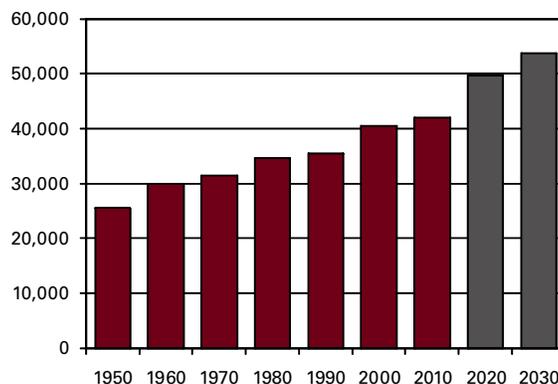
### Total Population

#### Census

1800		1880	24,756	1950	25,572
1810	2,674	1890	24,240	1960	30,004
1820	8,085	1900	24,202	1970	31,464
1830	11,436	1910	23,680	1980	34,603
1840	15,719	1920	23,036	1990	35,415
1850	18,838	1930	21,547	2000	40,543
1860	21,461	1940	22,574	2010	42,040
1870	21,914				

#### Projected

2020	49,810
2030	53,730



<b>Population by Race</b>	<b>Number</b>	<b>Percent</b>
ACS Total Population	42,820	100.0%
White	40,485	94.5%
African-American	927	2.2%
Native American	109	0.3%
Asian	247	0.6%
Pacific Islander	0	0.0%
Other	365	0.9%
Two or More Races	687	1.6%
Hispanic (may be of any race)	584	1.4%
<b>Total Minority</b>	<b>2,555</b>	<b>6.0%</b>

<b>Educational Attainment</b>	<b>Number</b>	<b>Percent</b>
Persons 25 years and over	27,920	100.0%
No high school diploma	4,054	14.5%
High school graduate	12,440	44.6%
Some college, no degree	5,448	19.5%
Associate degree	1,887	6.8%
Bachelor's degree	2,516	9.0%
Master's degree or higher	1,575	5.6%

<b>Family Type by Employment Status</b>	<b>Number</b>	<b>Percent</b>
Total Families	11,688	100.0%
Married couple, husband and wife in labor force	5,048	43.2%
Married couple, husband in labor force, wife not	1,803	15.4%
Married couple, wife in labor force, husband not	752	6.4%
Married couple, husband and wife not in labor force	1,401	12.0%
Male householder, in labor force	846	7.2%
Male householder, not in labor force	183	1.6%
Female householder, in labor force	1,253	10.7%
Female householder, not in labor force	402	3.4%

<b>Household Income</b>	<b>Number</b>	<b>Percent</b>
Total Households	16,411	100.0%
Less than \$10,000	1,020	6.2%
\$10,000 to \$19,999	2,206	13.4%
\$20,000 to \$29,999	1,860	11.3%
\$30,000 to \$39,999	1,752	10.7%
\$40,000 to \$49,999	1,775	10.8%
\$50,000 to \$59,999	1,569	9.6%
\$60,000 to \$74,999	1,761	10.7%
\$75,000 to \$99,999	2,402	14.6%
\$100,000 to \$149,999	1,547	9.4%
\$150,000 to \$199,999	298	1.8%
\$200,000 or more	221	1.3%
<b>Median household income</b>	<b>\$47,842</b>	

<b>Population by Age</b>	<b>Number</b>	<b>Percent</b>
ACS Total Population	42,820	100.0%
Under 5 years	2,916	6.8%
5 to 17 years	7,815	18.3%
18 to 24 years	4,169	9.7%
25 to 44 years	11,295	26.4%
45 to 64 years	11,242	26.3%
65 years and more	5,383	12.6%
<b>Median Age</b>	<b>37.4</b>	

<b>Family Type by Presence of Own Children Under 18</b>	<b>Number</b>	<b>Percent</b>
Total Families	11,688	100.0%
Married-couple families with own children	3,727	31.9%
Male householder, no wife present, with own children	593	5.1%
Female householder, no husband present, with own children	1,164	10.0%
Families with no own children	6,204	53.1%

<b>Poverty Status of Families By Family Type by Presence Of Related Children</b>	<b>Number</b>	<b>Percent</b>
Total Families	11,688	100.0%
Family income above poverty level	10,399	89.0%
Family income below poverty level	1,289	11.0%
Married couple, with related children	245	19.0%
Male householder, no wife present, with related children	292	22.7%
Female householder, no husband present, with related children	480	37.2%
Families with no related children	272	21.1%

<b>Ratio of Income To Poverty Level</b>	<b>Number</b>	<b>Percent</b>
Population for whom poverty status is determined	41,966	100.0%
Below 50% of poverty level	2,058	4.9%
50% to 99% of poverty level	3,376	8.0%
100% to 149% of poverty level	3,043	7.3%
150% to 199% of poverty level	4,411	10.5%
200% of poverty level or more	29,078	69.3%

<b>Geographical Mobility</b>	<b>Number</b>	<b>Percent</b>
Population aged 1 year and older	42,046	100.0%
Same house as previous year	35,144	83.6%
Different house, same county	3,598	8.6%
Different county, same state	2,594	6.2%
Different state	458	1.1%
Abroad	252	0.6%

Percentages may not sum to 100% due to rounding.

## Travel Time To Work

	Number	Percent
Workers 16 years and over	19,070	100.0%
Less than 15 minutes	6,456	33.9%
15 to 29 minutes	6,577	34.5%
30 to 44 minutes	2,661	14.0%
45 to 59 minutes	1,806	9.5%
60 minutes or more	1,570	8.2%

**Mean travel time** 24.8 minutes

## Housing Units

	Number	Percent
Total housing units	18,023	100.0%
Occupied housing units	16,411	91.1%
Owner occupied	11,550	70.4%
Renter occupied	4,861	29.6%
Vacant housing units	1,612	8.9%

## Year Structure Built

	Number	Percent
Total housing units	18,023	100.0%
Built 2005 or later	551	3.1%
Built 2000 to 2004	1,523	8.5%
Built 1990 to 1999	3,583	19.9%
Built 1980 to 1989	1,541	8.6%
Built 1970 to 1979	2,554	14.2%
Built 1960 to 1969	1,783	9.9%
Built 1950 to 1959	1,740	9.7%
Built 1940 to 1949	1,214	6.7%
Built 1939 or earlier	3,534	19.6%

**Median year built** 1973

## Value for Specified Owner-Occupied Housing Units

	Number	Percent
Specified owner-occupied housing units	11,550	100.0%
Less than \$20,000	348	3.0%
\$20,000 to \$39,999	265	2.3%
\$40,000 to \$59,999	356	3.1%
\$60,000 to \$79,999	1,084	9.4%
\$80,000 to \$99,999	1,665	14.4%
\$100,000 to \$124,999	1,929	16.7%
\$125,000 to \$149,999	1,735	15.0%
\$150,000 to \$199,999	1,957	16.9%
\$200,000 to \$299,999	1,508	13.1%
\$300,000 to \$499,999	557	4.8%
\$500,000 to \$999,999	97	0.8%
\$1,000,000 or more	49	0.4%

**Median value** \$126,800

## House Heating Fuel

	Number	Percent
Occupied housing units	16,411	100.0%
Utility gas	5,997	36.5%
Bottled, tank or LP gas	3,095	18.9%
Electricity	5,470	33.3%
Fuel oil, kerosene, etc	1,343	8.2%
Coal, coke or wood	348	2.1%
Solar energy or other fuel	123	0.7%
No fuel used	35	0.2%

Percentages may not sum to 100% due to rounding.

## Gross Rent

	Number	Percent
Specified renter-occupied housing units	4,861	100.0%
Less than \$100	23	0.5%
\$100 to \$199	185	3.8%
\$200 to \$299	245	5.0%
\$300 to \$399	290	6.0%
\$400 to \$499	490	10.1%
\$500 to \$599	821	16.9%
\$600 to \$699	625	12.9%
\$700 to \$799	665	13.7%
\$800 to \$899	647	13.3%
\$900 to \$999	176	3.6%
\$1,000 to \$1,499	279	5.7%
\$1,500 or more	28	0.6%
No cash rent	387	8.0%

**Median gross rent** \$654

Median gross rent as a percentage of household income 29.3

## Selected Monthly Owner Costs for Specified Owner-Occupied Housing Units

	Number	Percent
Specified owner-occupied housing units with a mortgage	7,947	100.0%
Less than \$400	23	0.3%
\$400 to \$599	296	3.7%
\$600 to \$799	845	10.6%
\$800 to \$999	1,307	16.4%
\$1,000 to \$1,249	1,654	20.8%
\$1,250 to \$1,499	1,450	18.2%
\$1,500 to \$1,999	1,438	18.1%
\$2,000 to \$2,999	824	10.4%
\$3,000 or more	110	1.4%

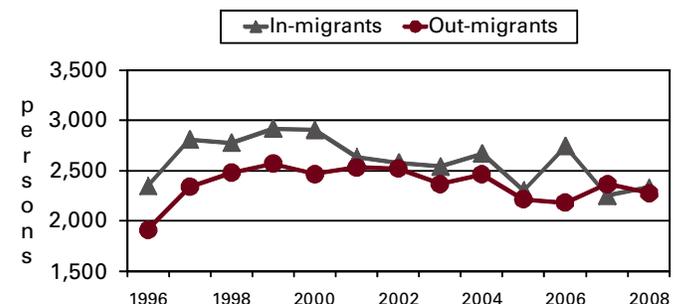
**Median monthly owners cost** \$1,227

Median monthly owners cost as a percentage of household income 23.6

## Vital Statistics

	Number	Rate
Births / rate per 1,000 women aged 15 to 44	529	58.9
Teen births / rate per 1,000 females 15-19	61	42.0
Deaths / rate per 100,000 population	352	817.3
Marriages / rate per 1,000 population	321	7.4
Divorces / rate per 1,000 population	171	3.9

## Migration



**Agriculture**

Land in farms (acres)	213,000
Number of farms	790
Average size (acres)	270
Total cash receipts	\$111,242,000
Per farm	\$140,812

**Education**

Public schools	17
Students (Average Daily Membership)	8,106
Expenditures per student	\$8,243
Student-teacher ratio	18.7
Graduation rate	94.8
Teachers (Full Time Equivalent)	478.0
Non-public schools	0
Students	0
4-year public universities	0
Branches	0
2-year public colleges	0
Private universities and colleges	1
Public libraries (Main / Branches)	3 / 1

**Transportation**

Registered motor vehicles	50,865
Passenger cars	29,612
Noncommercial trucks	10,172
Total license revenue	\$1,390,331.36
Interstate highway miles	15.39
Turnpike miles	0.00
U.S. highway miles	48.65
State highway miles	143.05
County, township, and municipal road miles	657.42
Commercial airports	3

**Voting**

Number of precincts	38
Number of registered voters	26,722
Voted in 2010 election	12,395
Percent turnout	46.4%

**Health Care**

Physicians (MDs & DOs)	62
Registered hospitals	1
Number of beds	173
Licensed nursing homes	4
Number of beds	283
Licensed residential care	1
Number of beds	51
Adults with employer-based insurance	60.8%
Children with employer-based insurance	57.4%

**State Parks, Forests, Nature Preserves, And Wildlife Areas**

Areas/Facilities	3
Acreage	2,271.41

**Communications**

Television stations	0
Radio stations	0
Daily newspapers	1
Circulation	7,000

**Crime**

Total crimes reported in Uniform Crime Report	955
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**Finance**

FDIC insured financial institutions (HQs)	4
Assets (000)	\$1,985,391
Branch offices	16
Institutions represented	9

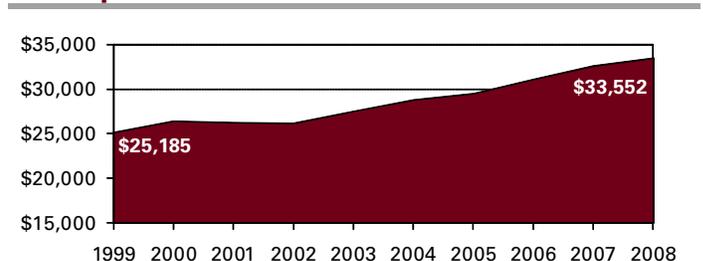
**Transfer Payments**

Total transfer payments	\$273,047,000
Payments to individuals	\$265,748,000
Retirement and disability	\$95,893,000
Medical payments	\$123,669,000
Income maintenance (Supplemental SSI, family assistance, food stamps, etc)	\$21,228,000
Unemployment benefits	\$6,291,000
Veterans benefits	\$5,956,000
Federal education and training assistance	\$8,272,000
Other payments to individuals	\$4,439,000
Total personal income	\$1,447,826,000
Dependency ratio	18.9%

**Federal Expenditures**

Direct expenditures or obligations	\$264,032,423
Retirement and disability	\$119,290,057
Other direct payments	\$72,634,696
Grant awards	\$54,774,502
Highway planning and construction	\$11,134,240
Temporary assistance to needy families	\$2,599,636
Medical assistance program	\$30,023,149
Procurement contract awards	\$3,362,834
Dept. of Defense	\$944,310
Salary and wages	\$13,970,334
Dept. of Defense	\$0
Other federal assistance	\$108,922,894
Direct loans	\$626,822
Guaranteed loans	\$38,287,477
Insurance	\$70,008,595

**Per Capita Personal Income**



**Civilian Labor Force**

	2005	2006	2007	2008	2009
Civilian labor force	22,600	24,200	24,400	23,400	21,100
Employed	21,400	23,000	23,200	22,000	18,100
Unemployed	1,200	1,100	1,200	1,400	3,100
Unemployment rate	5.4	4.7	4.7	6.0	14.6

**Establishments, Employment, and Wages by Sector: 2008**

Industrial Sector	Number of Establishments	Average Employment	Total Wages	Average Weekly Wage
Private Sector	764	21,811	\$942,430,139	\$831
Goods-Producing	128	4,305	\$191,733,216	\$856
Natural Resources and Mining	6	36	\$1,155,886	\$622
Constuction	75	285	\$10,262,352	\$693
Manufacturing	48	3,985	\$180,314,978	\$870
Service-Providing	636	17,506	\$750,696,923	\$825
Trade, Transportation and Utilities	218	12,328	\$606,868,299	\$947
Information	12	295	\$10,332,928	\$673
Financial Services	83	785	\$29,152,326	\$714
Professional and Business Services	89	958	\$30,758,785	\$617
Education and Health Services	82	1,475	\$50,297,621	\$656
Leisure and Hospitality	82	1,340	\$15,879,012	\$228
Other Services	70	324	\$7,400,591	\$439
Federal Government		176	\$11,183,811	\$1,221
State Government		190	\$9,466,009	\$960
Local Government		3,127	\$114,315,928	\$703

Private Sector total includes Unclassified establishments not shown.

**Change Since 2003**

Private Sector	3.7%	5.7%	30.8%	23.7%
Goods-Producing	-15.2%	-9.9%	9.6%	21.6%
Natural Resources and Mining	20.0%	12.5%	72.8%	54.7%
Construction	-21.1%	-17.2%	6.6%	28.8%
Manufacturing	-5.9%	-9.4%	9.5%	20.8%
Service-Producing	8.3%	10.4%	37.6%	24.6%
Trade, Transportation and Utilities	11.2%	18.3%	48.0%	25.3%
Information	9.1%	-17.4%	-16.5%	0.9%
Financial Services	2.5%	-17.5%	-6.0%	14.1%
Professional and Business Services	3.5%	-24.1%	-8.5%	20.5%
Education and Health Services	15.5%	26.3%	30.5%	3.3%
Leisure and Hospitality	6.5%	2.9%	24.0%	20.6%
Other Services	7.7%	-16.3%	1.5%	21.3%
Federal Government		8.6%	46.8%	34.6%
State Government		50.8%	73.9%	15.1%
Local Government		8.1%	28.5%	19.0%

**Business Numbers**

	2004	2005	2006	2007	2008
Business starts	111	89	122	80	73
Active businesses	913	921	961	904	870

**Major Employers**

Ahresty Wilmington Corp	Mfg
Alkermes Inc	Mfg
ATSG/ABX Air	Serv
Clinton Memorial Hospital	Serv
Ferno-Washington Inc	Mfg
Nippon Seiki/New Sabina Industries	Mfg
R & L Carriers	Trans
Showa Corp/American Showa	Mfg
Wilmington City Schools	Govt
Wilmington College	Serv

**Residential**

**Construction**

	2005	2006	2007	2008	2009
Total units	264	178	136	39	21
Total valuation (000)	\$35,146	\$25,355	\$15,362	\$6,937	\$2,878
Total single-unit bldgs	264	168	78	35	21
Average cost per unit	\$133,128	\$149,050	\$148,414	\$196,058	\$137,024
Total multi-unit bldg units	0	10	58	4	0
Average cost per unit	\$0	\$31,500	\$65,276	\$18,750	\$0

**Rating Update: MOODY'S DOWNGRADES RATING TO A1 FROM Aa3 AND REMOVES NEGATIVE OUTLOOK ON THE CITY OF WILMINGTON'S (OH) GOLT DEBT**

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Global Credit Research - 14 Dec 2011

**APPLIES TO \$5.2 MILLION OF OUTSTANDING GOLT DEBT**

WILMINGTON (CITY OF) OH  
Cities (including Towns, Villages and Townships)  
OH

**Opinion**

NEW YORK, December 14, 2011 --Moody's Investors Service has downgraded the rating to A1 from Aa3 and has removed the negative outlook on the City of Wilmington's (OH) \$5.2 million of general obligation limited tax debt. The outstanding bonds are secured by the city's general obligation limited tax pledge subject to the 10 mill limitation.

**SUMMARY RATING RATIONALE**

The downgrade reflects the city's diminished tax base; persistent General Fund operating deficits; and a projected \$1.3 million (cash basis) budget gap for fiscal year (FY) 12. The risk of continued weakness in the local economy is mitigated both by the city's strong reserve levels - which provide some ability to absorb additional budgetary pressures - and economic indicators that suggest stabilizing conditions in the wake of recent large employment losses. The A1 rating also reflects the city's mid-sized tax base and low direct debt burden.

**STRENGTHS**

- Strong general fund cash and reserve levels despite recent operating deficits
- Low direct debt burden

**CHALLENGES**

- Diminished tax base and ongoing exposure to weak local economy following loss of major employer in 2009
- Recurring general fund operating deficits

**DETAILED CREDIT DISCUSSION**

**LOSS OF MAJOR EMPLOYER HAS SIGNIFICANTLY IMPACTED LOCAL ECONOMY**

The City of Wilmington is located in southwest Ohio, 50 miles northeast of the City of Cincinnati (general obligation rated Aa1/stable outlook) and 35 miles southeast of the City of Dayton (general obligation rated Aa2/stable outlook). The local economy is primarily agricultural, with supporting retail, commercial services and light manufacturing businesses. Wilmington is also the county seat for Clinton County (Aa3). The regional economy has been significantly impacted by the loss of DHL - a major international courier and subsidiary of Deutsche Post (Baa1) - from the Wilmington Airpark in 2009. The dissolution of DHL's operations led to the loss of 10,000 jobs both directly and indirectly associated with the Airpark. The local unemployment rate of 15.4% in October 2010 has since moderated to 12.3% in October 2011, but the persistently elevated rates (significantly above historical levels) reflect the magnitude of the impact to the economy. However, the Airpark is expected to remain a major fixture of the economy, and the city, in conjunction with the Clinton County Port Authority, is actively marketing the Airpark for redevelopment. In October 2011, Airborne Maintenance and Engineering Services (AMES) signed a new lease agreement at the Airpark and will construct a 100,000 square foot hangar, with construction expected to begin as early as the first quarter of 2012. Full value (currently \$656 million) declined a combined 11.7% for 2010 and 2011, due both to the phasing out of personal tangible property and declines in real estate values - predominantly among residential and commercial properties - which fell 7% for the period.

**HEALTHY RESERVES DESPITE CONSECUTIVE GENERAL FUND OPERATING DEFICITS**

We expect the city's finances to remain pressured due to the significant reduction in income tax revenues following the loss of DHL. However, the city's relatively healthy reserve levels should mitigate continued budgetary pressures. Income tax revenues represent more than 50% of the city's general fund revenues and declined by \$2.4 million (37%) to \$4.1 million in FY 10 from \$6.5 million in FY 09. Projections for the current fiscal year indicate that income tax revenues will be relatively flat at \$4.1 million for FY 11. The city's FY 11 performance reflects a stabilizing of the city's revenues at levels prior to its annexation of the Airpark in 2008. City management projects flat income tax revenues in FY 12. The city's income tax revenues should benefit from incremental employment associated with the Airpark, and thus the extent to which redevelopment efforts create and retain jobs will remain an important credit factor.

Due primarily to income tax pressures, the city's General Fund has experienced operating deficits in recent years. FY 10 operations resulted in a \$606,000 deficit (GAAP basis) with the city drawing down its cash carryover by \$880,000 (cash basis). For FY 11, the city expects to draw down its cash carryover by between \$700,000 and \$900,000. Despite these draws, the city's General Fund financial position remains healthy, as the city entered FY 11 with a total General Fund balance of \$4.6 million (57% of revenues) and General Fund net cash balance of \$3.9 million (48% of revenues). The city's FY 12 budget projects a \$1.3 million cash-basis deficit, primarily the result of lower revenues (\$170,000 loss of local government funding). However, the city has historically appropriated the maximum amount it is willing to spend in the fiscal year, and has been able to control expenditures by reducing authorizations or reversing appropriations mid-year - thus there is a reasonable likelihood that the city's FY 12 budget will reflect a smaller actual ending deficit.

Beginning January 2012, the city will have a new mayor, who has already indicated his intention to reduce the deficit from its current level,

primarily by cutting spending. However, the city laid off 18 FTEs in FY 10 - an 11% reduction in force - and has maintained wage freezes for the last three fiscal years for all employees. Further, as more than 50% of the city's General Fund budget is devoted to public safety (EMS, fire and police), a deficit that is managed by cuts alone will necessarily entail significant cuts to these essential services. We believe that revenue enhancements may be required, along with expenditure reductions, to ensure maintenance of satisfactory reserve levels. Reductions in General Fund reserves that exceed current expectations may pressure the city's credit quality.

#### DEBT BURDEN AT LOW LEVEL, NO ADDITIONAL BORROWING CURRENTLY PLANNED

The city's direct debt burden is low at 1.4% of 2010 full value. The city's overall debt burden is also manageable at 2.3% of 2010 full value. The city's direct debt is comprised of unvoted general obligation bonds (\$5.2 million outstanding), energy conservation notes (\$1.4 million) and BANs (\$1.1 million). The city has rolled the BANs each year and does not expect to take them out with long-term financing. The city has used a combination of permissive tax revenues and landfill revenues (from the waste fund) to pay down BAN principal (approximately \$100,000 in FY 11). Based on the current profile, the city's debt burden is expected to remain manageable. All of the city's debt is fixed rate, and the city is not a party to any interest rate swap agreements. Principal amortization is strong, with approximately 85% of debt retired within 10 years.

#### WHAT COULD MOVE THE RATING UP

- Consistent positive general fund operating performance
- Improved local economic environment, with employment gains benefitting city general revenues

#### WHAT COULD MOVE THE RATING DOWN

- Inability to align recurring revenues with recurring expenditures to balance general fund budget
- Evidence of increased pressure from weak local economy

#### KEY STATISTICS

2010 US Census Population: 12,520

2000 US Census: Median Family Income: \$43,619 (87.2% of U.S. median)

2000 US Census: Per Capita Income: \$17,346 (80.4% of U.S. median)

2000 US Census: Median Home Value: \$92,400 (77.3% of U.S. median)

October 2011 Unemployment: 12.3%

2010 Full Value: \$722 million

Fiscal 2010 Net General Fund cash, % of revenue: 47.9%

Fiscal 2010 Total General Fund balance, % of revenue: 57%

Fiscal 2010 Unreserved General Fund balance, % of revenue: 56.6%

Fiscal 2010 Net Direct Debt, % of Full Value: 1.4%

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 31 January 2012. ESMA may extend the use of credit ratings for regulatory purposes in the European Community for three additional months, until 30 April 2012, if ESMA decides that exceptional circumstances arise that may imply potential market disruption or financial instability. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on [www.moodys.com](http://www.moodys.com).

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

Information sources used to prepare the rating are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Investors Service's information, and confidential and proprietary Moody's Analytics' information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every

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Please see ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the last rating action and the rating history.

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Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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# Local Government Innovation Fund Program

*Application Score* £ £

<b>Lead Applicant</b>	
<b>Project Name</b>	

	<b>Grant Application</b>
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**or**

	<b>Loan Application</b>
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The Local Government Innovation Fund Council  
77 South High Street  
P.O. Box 1001  
Columbus, Ohio 43216-1001  
(614) 995-2292

## Local Government Innovation Fund Project Scoring Sheet

### Section 1: Financing Measures

Financing Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
<b>Financial Information</b>	<i>Applicant includes financial information (i.e., service related operating budgets) for the most recent three years and the three year period following the project. The financial information must be directly related to the scope of the project and will be used as the cost basis for determining any savings resulting from the project.</i>	Applicant provides a thorough, detailed and complete financial information	<b>5</b>		
		Applicant provided more than minimum requirements but did not provide additional justification or support	<b>3</b>		
		Applicant provided minimal financial information	<b>1</b>		
		<b>Points</b>			
<b>Repayment Structure (Loan Only)</b>	<i>Applicant demonstrates a viable repayment source to support loan award. Secondary source can be in the form of a debt reserve, bank participation, a guarantee from a local entity, or other collateral (i.e., emergency rainy day, or contingency fund, etc.).</i>	Applicant clearly demonstrates a secondary repayment source.	<b>5</b>		
		Applicant does not have a secondary repayment source.	<b>0</b>		
		<b>Points</b>			
<b>Local Match</b>	<i>Percentage of local matching funds being contributed to the project. This may include in-kind contributions.</i>	70% or greater	<b>5</b>		
		40-69.99%	<b>3</b>		
		10-39.99%	<b>1</b>		
		<b>Points</b>			
<b>Total Section Points</b>					

### Section 2: Collaborative Measures

Collaborative Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
<b>Population</b>	<i>Applicant's population (or the population of the area(s) served) falls within one of the listed categories as determined by the U.S. Census Bureau. Population scoring will be determined by the <b>smallest</b> population listed in the application. Applications from (or collaborating with) small communities are preferred.</i>	Applicant (or collaborative partner) is not a county and has a population of less than 20,000 residents	<b>5</b>		
		Applicant (or collaborative partner) is a county but has less than 235,000	<b>5</b>		
		Applicant (or collaborative partner) is not a county but has a population 20,001 or greater.	<b>3</b>		
		Applicant (or collaborative partner) is a county with a population of 235,001 residents or more	<b>3</b>		
		<b>Points</b>			
<b>Participating Entities</b>	<i>Applicant has executed partnership agreements outlining all collaborative partners and participation agreements and has resolutions of support. (Note: Sole applicants only need to provide a resolution of support from its governing entity.)</i>	More than one applicant	<b>5</b>		
		Single applicant	<b>1</b>		
		<b>Points</b>			
<b>Total Section Points</b>					

## Local Government Innovation Fund Project Scoring Sheet

### Section 3: Success Measures

Success Measures	Description	Criteria	Points	Applicant Self Score	Validated Score
Expected Return	Applicant demonstrates as a percentage of savings (i.e., actual savings, increased revenue, or cost avoidance ) an expected return. The return must be derived from the applicant's cost basis. The expected return is ranked in one of the following percentage categories:	75% or greater	30		
		25.01% to 74.99%	20		
		Less than 25%	10		
			Points		
Past Success	Applicant has successfully implemented, or is following project guidance from a shared services model, for an efficiency, shared service, coproduction or merger project in the past.	Yes	5		
		No	0		
			Points		
Scalable/Replicable Proposal	Applicant's proposal can be replicated by other local governments or scaled for the inclusion of other local governments.	The project is both scalable and replicable	10		
		The project is either scalable or replicable	5		
		Does not apply	0		
			Points		
Probability of Success	Applicant provides a documented need for the project and clearly outlines the likelihood of the need being met.	Provided	5		
		Not Provided	0		
			Points		
<b>Total Section Points</b>					

### Section 4: Significance Measures

Significance Measures	Description	Criteria	Points Assigned	Applicant Self Score	Validated Score
Performance Audit Implementation /Cost Benchmarking	The project implements a single recommendation from a performance audit provided by the Auditor of State under Chapter 117 of the Ohio Revised Code or is informed by cost benchmarking.	Project implements a recommendation from an audit or is informed by benchmarking	5		
		Project does not implement a recommendation from an audit and is not informed by benchmarking	0		
			Points		
Economic Impact	Applicant demonstrates the project will a promote business environment (i.e., demonstrates a business relationship resulting from the project) and will provide for community attraction (i.e., cost avoidance with respect to taxes)	Applicant clearly demonstrates economic impact	5		
		Applicant mentions but does not prove economic impact	3		
		Applicant does not demonstrate an economic impact	0		
			Points		
Response to Economic Demand	The project responds to current substantial changes in economic demand for local or regional government services.	Yes	5		
		No	0		
			Points		
<b>Total Section Points</b>					

Section 5: Council Measures			
Council Measures	Description	Criteria	Points Assigned
Council Preference	Council Ranking for Competitive Rounds	<b>The Applicant Does Not Fill Out This Section;</b> This is for the Local Government Innovation Fund Council only. The points for this section is based on the applicant demonstrating innovation or inventiveness with the project	
<b>Total Section Points (10max)</b>			

Scoring Summary			
		Applicant Self Score	Validated Score
Section 1: Financing Measures			
Section 2: Collaborative Measures			
Section 3: Success Measures			
Section 4: Significance Measures			
<b>Total Base Points:</b>			

**Reviewer Comments**

## Brookins, Denise

---

**From:** cschock@clintoncountyrpc.org  
**Sent:** Wednesday, April 04, 2012 11:52 AM  
**To:** lgif  
**Cc:** Brenda Woods; Mayor's Office  
**Subject:** Cure: City of Wilmington & Clinton County Planning Grant LGIF Application  
**Attachments:** Wilmington Clinton County LGIF Proposal 1 of 9.doc; LGIFRound1ScoreSheet\_Wilmington, 9 of 9.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

To:  
Ms. Nyla Potter, Ms. Thea Walsh, Staff and Members of the Local Government Innovation Fund Council

From:  
City of Wilmington and Clinton County

Dear Ms. Potter & Ms. Walsh,

Thank you for your April 3rd Cure Letter and Request. We appreciate the opportunity to clarify our application and your consideration of this important study and planning grant for the City of Wilmington and Clinton County. The Issues for Response are addressed below:

### 1. Request

We are pleased to clarify, the City of Wilmington and Clinton County propose a study cost of \$48,350.00 as noted on Pg. 3 of our Project Proposal which is attached. We believe this represents a \$43,515.00 request from the LGIF and a City of Wilmington cash match of \$4,835.00.

### 2. Match

Our request is for an objective, third party analysis of public safety communication processes and protocols in Clinton County. The request is the cost of the proposed study minus the required local match; stakeholders will participate and contribute to the planning process but we are not proposing to use their time or other in-kind resources as match. As such, the City of Wilmington has committed the 10% match in the Resolution of Authorization passed by Wilmington City Council and received by your office on 3/30.

### 3. Budget

Sources of Funds:	
LGIF Request	\$43,515.00
City of Wilmington Cash Match	\$4,835.00

Uses of Funds	
Consultant Fees for Study	\$48,350.00

#### 4. Self Score Assessment

We are pleased to submit our Self Score Assessment, it was included in our application packet as Attachment 9 of 9 and is attached.

##### Section 1

We believe we have supplied thorough and detailed financial information on the City of Wilmington and the Public Safety budgets, we would be pleased to supply any additional information for consideration by the Council. The City has committed the 10% cash match.

##### Section 2

The City of Wilmington has a population of less than 20,000. This is a collaboration between the City of Wilmington (applicant) and Clinton County (partner). Resolutions of Authorization and Support by the Board of Clinton County Commissioners and the Wilmington City Council were received by your office on 3/30.

##### Section 3

Our proposal details the current cost structure of Public Safety Communications, given the cost of the study and the potential efficiency, the expected return if implemented will exceed 75%. This is a first-ever objective study of a shared service or collaboration effort in Clinton County, while we do not qualify for the 'past success' points- we hope that the State considers this first ever effort as equally, if not more important, than past success as our community is making this important effort for innovation. Our study and the results would be both scalable and replicable and would be a model for other small communities in Ohio facing similar situations, we are confident that this study will lead to further discussions and synergies among the stakeholders. The City of Wilmington and Clinton County are committed to addressing serious budget challenges, the recommendations of the study will be implemented.

##### Section 4

The study is heavily informed by previous benchmarking examples as noted in our proposal. Our consultant, a public safety and law enforcement consultancy based in Columbus, will benchmark Clinton County to established best practices in the field using their extensive expertise. The City of Wilmington and Clinton County's economic needs are well known at the State and National levels, this study has the potential to help address serious budget shortfalls for the City of Wilmington and Clinton County- preserving funds for other essential City and County services. We stress again that this study will respond directly to the budget challenges currently faced by our governments.

#### 5. Resolutions of Support

Resolution of Authorization and Support passed by the Wilmington City Council and the Board of Clinton County Commissioners was received by your office on 3/30.

#### 6. Partnership Agreements

We believe our Resolutions of Authorization and Support address the nature of the partnership and collaboration between the City of Wilmington and Clinton County, we are pleased to provide any additional information or sign a different agreement or partnership format if that would be helpful.

We believe this should address all the requests following the cure process, please let us know if we can provide any additional information. Thank you again for your work on this project and the Council's kind consideration of our request.



**Christian Schock, Executive Director**  
69 North South Street • Suite 100  
Wilmington, Ohio 45177-2211  
Phone: 937-382-3582  
Fax: 937-383-1489  
[staff@clintoncountyrpc.org](mailto:staff@clintoncountyrpc.org)



April 2, 2012

Randy Riley  
City of Wilmington  
69 N. South Street  
Wilmington, Ohio 45177

RE: Application Cure Letter

Dear Randy Riley:

The Ohio Department of Development (Development) has received and is currently reviewing your application for Round 1 of Local Government Innovation Fund program. During this review Development has determined that additional information is needed for your application. The identified item(s) requiring your attention are listed on the attached page(s). Please respond only to the issues raised. Failure to fully address all the identified items could lead to a competitive score reduction or ineligibility for Round 1 of the Local Government Innovation Fund program. **A written response from the applicant to this completeness review is due to Development no later than 5:00 p.m. on April 30, 2012.** Please send the response in a single email to [lgif@development.ohio.gov](mailto:lgif@development.ohio.gov) and include "Cure—Project Name" in the subject line.

While this cure letter represents the additional information needed for Development review, the Local Government Innovation Council continues to reserve the right to request additional information about your application.

Thank you once again for your participation in Local Government Innovation program. Please contact the Office of Redevelopment at [lgif@development.ohio.gov](mailto:lgif@development.ohio.gov) or 614-995-2292 if you have further questions regarding your application or the information requested in this letter.

Sincerely,

Thea J. Walsh, AICP  
Deputy Chief, Office of Redevelopment  
Ohio Department of Development

## Local Government Innovation Fund Completeness Review

**Applicant:** City of Wilmington  
**Project Name:** Public Safety Communications And Dispatch Services  
**Request Type:** Grant

### Issues for Response

#### 1. Request

Please provide a funding request amount. Requests must conform to program guidelines with respect to funding limits and uses to be considered for funding. Grant requests are limited to \$100,000 regardless of the number of collaborative partners. Loan requests are limited to \$100,000 per applicant and collaborative partner, up to a maximum of \$500,000. For example, one applicant with two collaborative partners is eligible for \$300,000 because there are three partners.

#### 2. Match

A minimum of 10% match is required for all projects. Matching funds must be 10% of the **total project cost** (not 10% of the funding request). Please document your 10% match and provide evidence of the contribution.

For **in-kind contributions**, please provide documentation as outlined in section 2.06 of the Local Government Innovation Fund program policies. Certification of in-kind contributions may only be made for past investments. Anticipated in-kind contributions must be certified **after** the contribution is made

#### 3. Budget

Please provide a line item budget that includes at minimum: 1) the sources of all funds being contributed to the project include **all** sources—cash, in-kind, etc.; 2) the uses of all funds (provide a line item for each use); 3) the total project costs (including the funding request **and** the local match. Please be sure that all uses of funds are eligible expenses as set forth in the program guidelines.

#### *Example:*

##### **Collaboration Village's Project Budget**

###### **Sources of Funds**

LGIF Request	\$100,000
Match Contribution (10%)	\$ 11,111
Total	\$111,111

###### **Uses of Funds**

Consultant Fees for Study	\$111,111
Total	\$111,111

**Total Project Cost: \$111,111**

**4. Partnership Agreements**

Partnership agreements must be signed by all parties listed as collaborative partners. Please provide a partnership agreement that at minimum: 1) lists all collaborative partners; 2) lists the nature of the partnership; and 3) is signed by all parties. Please note, partnership agreements must be specific to the project for which funding is requested.

**5. Population Information and Documentation**

Please provide documentation supporting population information provided using the 2010 U.S. Census. To access census information, you may visit the following website <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.

**BOARD OF COUNTY COMMISSIONERS**  
**CLINTON COUNTY, OHIO**

540

March 26, 2012

With no prior discussion on this date, the following action was taken:

**IN THE MATTER**  
**APPROVE GRANT APPLICATION**  
**TO OHIO LOCAL GOVERNMENT**  
**INNOVATION FUND**

**RESOLUTION # 12-324**  
**BY: Curry and Steed**

**CERTIFIED COPY**  
**CLINTON COUNTY COMMISSIONERS**  
Resolution No. 12-324  
Date Adopted 3-26-2012  
Diana L. Groves  
Clerk

Mr. Curry moved the adoption of the following Resolution:

**BE IT RESOLVED**, By this Board of County Commissioners to hereby approve on behalf of the Clinton County Sheriff's Office, partnering with the City of Wilmington and other local governments within Clinton County to support the application from the City of Wilmington to the State of Ohio Local Government Innovation fund for a grant to fund the objective study of public safety communication and dispatch process and protocols county wide.

Mr. Steed seconded the Resolution and roll call resulted as follows:

Mr. Haley: YEA

Mr. Curry: YEA

Mr. Steed: YEA

**RESOLUTION #12-324**

**ADOPTED**

**as of March 26, 2012**

With no prior discussion on this date, the following action was taken:

**IN THE MATTER**  
**COMMISSIONERS PROCLAIM**  
**APRIL AS SEXUAL ASSAULT**  
**AWARENESS MONTH**

**RESOLUTION # 12-325**  
**BY: Curry and Steed**

Mr. Curry moved the adoption of the following Resolution:

**PROCLAMATION**  
**THE CLINTON COUNTY**  
**BOARD OF COMMISSIONERS**

**IN THE MATTER, COMMISSIONERS PROCLAIM**  
**SEXUAL ASSAULT AWARENESS MONTH**

**RESOLUTION #12-325**  
**BY: Curry and Steed**

Mr. Curry moved the adoption of the following Resolution:

**WHEREAS**, non-stranger and stranger rape and sexual assault affect women, children and men of all racial, cultural and economic backgrounds; and sexual violence against the citizens of Clinton County continues at an alarming rate; and

**WHEREAS**, women, children and men suffer multiple types of sexual violence; and

**WHEREAS**, this experience can be devastating for not only the survivor, but also for the family and friends of the survivor; and

**WHEREAS**, to prevent future violation of our citizens, it is critical to foster greater public awareness of the causes and effects of sexual violence, and to address this problem on every civic level; and

**WHEREAS**, Alternatives to Violence Center's staff and volunteers are committed to increasing public awareness of sexual violence and its prevalence, and to eliminating it through prevention and education; and

**WHEREAS**, important partnerships have been formed among criminal and juvenile justice agencies, health providers, allied professionals and victim services; and

**WHEREAS**, Alternatives to Violence Center's will join with other Sexual Assault Service providers and other interested organizations in public understanding of the issues surrounding sexual assault.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of County Commissioners of Clinton County do hereby proclaim the month of April, 2012 as "SEXUAL ASSAULT AWARENESS MONTH" in Clinton County.

Mr. Steed seconded the Resolution and roll call resulted as follows:

Mr. Haley: YEA

Mr. Curry: YEA

Mr. Steed: YEA

**BOARD OF COUNTY COMMISSIONERS**  
**CLINTON COUNTY, OHIO**

RESOLUTION NO. 2278

GIVING AUTHORIZATION AND SUPPORT FOR AN APPLICATION TO THE OHIO DEPARTMENT OF DEVELOPMENT, LOCAL GOVERNMENT INNOVATION FUND (LGIF), AND DECLARING AN EMERGENCY

WHEREAS, the State of Ohio, Department of Development has created the new Local Government Innovation Fund (LGIF) for the purposes of studying and funding projects which allow better collaboration between local governments; and

WHEREAS, the City of Wilmington, like many local governments in Ohio must explore opportunities for shared services and collaborations which can help address continued budget challenges; and

WHEREAS, the Local Government Innovation Fund (LGIF) has a planning/study grant available which will fund the study of public emergency and dispatch systems, processes and protocols currently in use in the City and Clinton County; and

WHEREAS, the cost estimate of the planning study to be performed by a chosen consultant is \$48,350.00. The Local Government Innovation Fund (LGIF) application has a 10% (\$4835.00) required match for the planning/study grant application.

NOW, THEREFORE BE IT RESOLVED, that

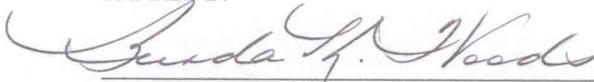
Section 1. That the Council of the City of Wilmington authorizes the Mayor to execute any document related to said application.

Section 2. That this Resolution be effective immediately as an emergency measure necessary for the public health and welfare due to deadline required for the submission of the grant application to the State of Ohio, Department of Development.

Passed this 15th day of March, 2012.

  
\_\_\_\_\_  
President of Council

ATTEST:

  
\_\_\_\_\_  
Clerk of Council

Approved by me this 15th day of March, 2012.

  
\_\_\_\_\_  
Mayor