



Dave Yost • Auditor of State

**CITY OF WILMINGTON
CLINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Wilmington
Clinton County
69 North South Street
Wilmington, Ohio 45177

To the City Council:

Report on the Financial Statements

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, Clinton County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 22, 2018

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- Total net position of the City increased by \$429,810 during 2017 due to a \$1,289,471 increase in governmental activities and a \$859,661 decrease in business-type activities.
- The General Fund had an increase in fund balance of \$986,900, or 34.9%, compared with the fund balance reported one year prior.
- Enterprise fund operations posted an operating loss of \$375,361 due primarily to recognizing pension expenses related to the changes in the net pension liability and related deferrals.
- General Fund actual expenditures were less than the budgeted amounts. The General Fund reported a \$126,655 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 Position 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 Position and the Statement of Activities

"How did the City of Wilmington do financially in 2017?" The broad answer to this question can be obtained with a look at the Statement of Net Position and the Statement of Activities. These statements include all assets, liabilities and deferred outflows/inflows 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.

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These two statements report the City's net position and the change in that net position. 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 Position 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 9. Fund financial statements, beginning on page 14, 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 position of governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental fund balances in a reconciliation on pages 15 and 17.

Enterprise 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 Position 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".

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 22. 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 24.

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THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2017 as compared to 2016.

Table 1
Net Position, December 31,

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 10,274,444	8,728,376	19,002,820	8,991,279	7,948,953	16,940,232
Capital Assets	16,528,803	27,660,724	44,189,527	16,448,857	28,399,384	44,848,241
Total Assets	<u>26,803,247</u>	<u>36,389,100</u>	<u>63,192,347</u>	<u>25,440,136</u>	<u>36,348,337</u>	<u>61,788,473</u>
Deferred Outflows of Resources	<u>3,904,364</u>	<u>1,606,065</u>	<u>5,510,429</u>	<u>3,256,023</u>	<u>1,358,903</u>	<u>4,614,926</u>
Liabilities:						
Current Liabilities	961,147	760,678	1,721,825	1,373,406	292,147	1,665,553
Long-term Liabilities:						
Due Within One Year	687,430	1,084,920	1,772,350	739,536	777,746	1,517,282
Due in More Than One Year:						
Net Pension Liability	12,782,449	3,662,466	16,444,915	10,967,123	2,900,438	13,867,561
Other Amounts Due in More Than One Year	2,859,282	16,191,074	19,050,356	3,470,445	16,593,291	20,063,736
Total Liabilities	<u>17,290,308</u>	<u>21,699,138</u>	<u>38,989,446</u>	<u>16,550,510</u>	<u>20,563,622</u>	<u>37,114,132</u>
Deferred Inflows of Resources	<u>2,233,221</u>	<u>67,759</u>	<u>2,300,980</u>	<u>2,251,038</u>	<u>55,689</u>	<u>2,306,727</u>
Net Position:						
Net Investment in Capital Assets	14,369,672	15,003,242	29,372,914	13,649,051	15,551,584	29,200,635
Restricted	1,919,222	968,509	2,887,731	1,815,910	249,098	2,065,008
Unrestricted	(5,104,812)	256,517	(4,848,295)	(5,570,350)	1,287,247	(4,283,103)
Total Net Position	\$ <u>11,184,082</u>	<u>16,228,268</u>	<u>27,412,350</u>	<u>9,894,611</u>	<u>17,087,929</u>	<u>26,982,540</u>

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

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

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Under the standards required by GASB Statement No. 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

As required by GASB Statement No. 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

The amount by which the City's assets and deferred outflows exceeded its liabilities and deferred inflows is called net position. As of December 31, 2017, the City's net position was \$27.4 million. Of this amount, \$29.4 million was invested in capital assets and \$2.9 million was subject to external restrictions for its use. At December 31, 2017, the City reported a deficit unrestricted balance of \$4.8 million due to the recognition of the net pension liability required by GASB 68.

In total, net position of the City increased by \$429,810. The governmental activities increased by \$1,289,471 and business-type activities decreased by \$859,661 during 2017. The increase in the governmental activities is due to an increase in revenues of 24.9% as the City realized the effect of the voter-approved income tax rate from 1% to 1.5% that became effective January 1, 2017. Although income tax revenues increased over \$3.1 million during 2017, this increase was offset by various street paving projects of \$1.4 million completed during the year. Additionally, the City recognized an additional \$401,270 in pension expense during 2017 compared to the prior year.

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The decrease in the business-type activities was due to the City recognizing additional pension expenses related to the changes in the net pension liability and related deferrals of \$323,106 more than 2016. In addition, expenses in the water and sewer fund increased, \$703,100 and \$754,498, respectively due to various water and sewer line repairs that were completed during the year.

The following table provides a summary of the City's changes in net position for 2017 as compared to 2016.

Table 2
Change in Net Position, December 31,

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,980,849	9,107,607	12,088,456	3,110,372	8,884,771	11,995,143
Operating Grants and Contributions	1,991,000	-	1,991,000	1,465,271	-	1,465,271
Capital Grants and Contributions	1,182,044	236,359	1,418,403	1,456,932	5,000	1,461,932
General Revenues:						
Property Taxes	1,903,561	-	1,903,561	1,872,972	-	1,872,972
Service Payments	231,682	-	231,682	231,002	-	231,002
Municipal Income Taxes	7,877,326	-	7,877,326	4,826,836	-	4,826,836
Other Local Taxes	154,007	-	154,007	152,453	-	152,453
Grants and Contributions not Restricted	403,337	-	403,337	381,007	-	381,007
Investment Income	45,651	65,636	111,287	36,571	117,094	153,665
Other Revenue	810,850	373,171	1,184,021	536,924	152,302	689,226
Total Revenue	<u>17,580,307</u>	<u>9,782,773</u>	<u>27,363,080</u>	<u>14,070,340</u>	<u>9,159,167</u>	<u>23,229,507</u>
Expenses:						
General Government	5,980,242	-	5,980,242	4,181,258	-	4,181,258
Security of Persons & Property	5,810,457	-	5,810,457	5,525,524	-	5,525,524
Public Health and Welfare Services	989,751	-	989,751	512,242	-	512,242
Leisure Time Activities	586,422	-	586,422	506,846	-	506,846
Transportation	2,810,763	-	2,810,763	2,423,827	-	2,423,827
Water	-	4,233,710	4,233,710	-	3,530,610	3,530,610
Sewer	-	3,662,682	3,662,682	-	2,908,184	2,908,184
Waste	-	2,705,625	2,705,625	-	2,331,914	2,331,914
Interest and Bond Issuance Expenses	153,618	-	153,618	170,936	-	170,936
Total Expenses	<u>16,331,253</u>	<u>10,602,017</u>	<u>26,933,270</u>	<u>13,320,633</u>	<u>8,770,708</u>	<u>22,091,341</u>
Transfers	40,417	(40,417)	-	77,118	(77,118)	-
Increase (Decrease) in Net Position	1,289,471	(859,661)	429,810	826,825	311,341	1,138,166
Net Position, Beginning of Year	9,894,611	17,087,929	26,982,540	9,067,786	16,776,588	25,844,374
Net Position, End of Year	\$ <u>11,184,082</u>	<u>16,228,268</u>	<u>27,412,350</u>	<u>9,894,611</u>	<u>17,087,929</u>	<u>26,982,540</u>

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Governmental Activities

The three functions with the largest expenditures are General Government, Security of Persons and Property and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$4.5 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 over \$900 thousand in property tax revenues, we see the remaining 84.1% is paid by income taxes, general subsidies and other general revenues. The third function, Transportation, covers the roads and streets of the City, which reported net expense for 2017 of \$0.3 million as related expenses increased 16.0% in the current year compared to the prior year. As indicated in Table 3, total governmental expenses increased by approximately \$3.0 million from those reported in the prior year, which represents a 22.6% increase.

The \$9.8 million in income and property taxes reported for the year is \$3.1 million more than the amount reported for 2016 as the City realized the impact of the additional voter-approved 0.5% temporary income levy that became effective January 1, 2017. In addition, the City continues to see the impact of improved economic conditions in and around the City.

Business-Type Activities

Overall, the City's business-type activities generated \$9.7 million of revenues, which represents a 6.8% increase over the prior year. In the current year, the Water, Sewer and Waste Funds reported increases (decreases) in net position of \$(473,022), \$(504,021) and \$117,382, respectively. While each enterprise fund reported increases in total revenues compared to the prior year, each fund also experienced increases in total expenses as well. As discussed earlier, each enterprise fund reported additional personal services costs for 2017 to account for the changes in the net pension liability and related deferrals. However, the majority of the increases in expenses reported in the Water and Sewer Funds were to do significant repairs to the City's various water and sewer lines throughout the City during the year.

Table 3
Total and Cost of Program Services

	2017		2016	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 5,980,242	(4,466,129)	4,181,258	(2,512,092)
Security of Persons & Property	5,810,457	(4,482,790)	5,525,524	(4,220,752)
Public Health & Welfare Services	989,751	(537,701)	512,242	(449,140)
Leisure Time Activities	586,422	(244,981)	506,846	(481,436)
Transportation	2,810,763	(292,141)	2,423,827	546,298
Interest Expense	153,618	(153,618)	170,936	(170,936)
Total	<u>\$ 16,331,253</u>	<u>(10,177,360)</u>	<u>13,320,633</u>	<u>(7,288,058)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 4,233,710	(532,759)	3,530,610	101,110
Sewer	3,662,682	(798,615)	2,908,184	(83,239)
Waste	2,705,625	73,323	2,331,914	101,192
Total	<u>\$ 10,602,017</u>	<u>(1,258,051)</u>	<u>8,770,708</u>	<u>119,063</u>

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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 state entitlement grants.

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. Total governmental fund balances are \$6.4 million, of which \$3.4 million is unassigned. The total governmental funds balance of all governmental funds increased by \$1.4 million during 2017.

The General Fund balance increased by \$1.0 million; compared to the \$0.2 million decrease in fund balance reported for 2016. Total revenues reported for 2017 were \$2.5 million more than those of the prior year due primarily to the increase reported in municipal income. This increase can be attributed to the increase in the income tax rate from 1.0% to 1.5% that became effective at the beginning of the year. Total expenditures reported by the General Fund increased \$1.4 million with those reported for 2016 as the City completed various street paving projects during the year.

The fund balances reported in the Taxi Fund decreased by \$5,276 from the balances reported one year prior as ridership decreased during 2017 compared to 2016.

The fund balance reported in the Police Fund decreased by \$90,246 from the balances reported one year prior as the City realized an increase in personnel related costs during 2017.

Total governmental fund revenues showed an increase from 2016 of \$2.9 million or 20.6%. This was primarily due to a \$2.6 million or a 51.3% increase in income tax revenue.

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 \$13.6 million and actual revenues were \$14.0 million for the year. The revenue estimates included in the City's final budget documents were the same as the original budget for 2017.

Final budgeted amounts for expenditures and other financing uses were \$14.8 million while actual budgetary expenditures and other financing uses amounted to \$13.9 million. As the City continues to adjust to the new normal, management continues its effort to limit expenditures while providing the necessary services to the City residents.

The budgetary fund balance for the General Fund at December 31, 2017 was \$2.9 million; a \$0.1 million increase from the amount reported one year prior. The ending budgetary fund balance amount at year end represents 21.0% of the total budgetary expenditures and transfers out reported for 2017.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 3,423,468	2,431,007	5,854,475	3,327,268	2,431,007	5,758,275
Infrastructure	5,480,443	-	5,480,443	5,480,443	-	5,480,443
Buildings	8,962,449	19,488,314	28,450,763	8,843,976	19,488,314	28,332,290
Improvements	532,287	28,450,415	28,982,702	532,287	28,450,415	28,982,702
Equipment	3,633,665	8,016,004	11,649,669	3,130,418	7,828,438	10,958,856
Vehicles	6,772,966	2,603,253	9,376,219	6,630,731	2,131,211	8,761,942
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Less:						
Accumulated Depreciation	<u>(12,301,528)</u>	<u>(33,328,269)</u>	<u>(45,629,797)</u>	<u>(11,521,319)</u>	<u>(31,930,001)</u>	<u>(43,451,320)</u>
Totals	\$ <u>16,528,803</u>	<u>27,660,724</u>	<u>44,189,527</u>	<u>16,448,857</u>	<u>28,399,384</u>	<u>44,848,241</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2017, amounts to \$44.2 million (net of accumulated depreciation). This investment in capital assets includes: land; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, decreased by \$0.7 million or 1.5%. Governmental activity capital assets, net of accumulated depreciation, reflect a net increase during the year of \$0.1 million. Depreciation expense for the year totaled \$907,057. Capital assets, net of accumulated depreciation in the business-type activities decreased \$0.7 million as a result of the depreciation expense recognized exceeding the cost of assets acquired during the year. See Note 8 to the basic financial statements for additional details on capital assets.

Debt Administration

At December 31, 2017, the City had total bonded debt in the amount of \$12.6 million, of which \$1.2 million is due within one year. Of the total bonded debt amount, \$1.9 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$10.2 million being mortgage revenue bonds for waterworks improvements and \$0.5 million for bond anticipation notes. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$78,886.

During 2017, the City issued \$10,485,000 in Water System Refunding Revenue Bonds. The proceeds were used to refund \$8,645,000 of outstanding 2007 Water Works Improvement bonds and \$1,730,000 of outstanding bond anticipation notes.

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 12 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, 2017
(Unaudited)

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.

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CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 5,403,351	\$ 6,874,846	\$ 12,278,197
Receivables			
Taxes	3,407,490	-	3,407,490
Accounts	130,512	876,810	1,007,322
Loans Receivable	570,208	-	570,208
Due from Other Governments	659,735	111,359	771,094
Interfund Balance	103,148	(103,148)	-
Restricted Assets:			
Cash and Cash Equivalents	-	968,509	968,509
Capital Assets:			
Capital Assets not subject to depreciation			
Land	3,423,468	2,431,007	5,854,475
Capital Assets, net of accumulated depreciation	<u>13,105,335</u>	<u>25,229,717</u>	<u>38,335,052</u>
Total Assets	<u>26,803,247</u>	<u>36,389,100</u>	<u>63,192,347</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	3,895,172	1,410,351	5,305,523
Deferred Amount on Refunding	<u>9,192</u>	<u>195,714</u>	<u>204,906</u>
Total Deferred Outflows of Resources	<u>3,904,364</u>	<u>1,606,065</u>	<u>5,510,429</u>
LIABILITIES:			
Accounts Payable	356,167	629,827	985,994
Accrued Wages and Benefits	185,164	67,431	252,595
Insurance Claims Payable	380,600	-	380,600
Accrued Interest Payable	39,216	63,420	102,636
Noncurrent Liabilities:			
Due Within One Year	687,430	1,084,920	1,772,350
Due In More than One Year			
Net Pension Liability	12,782,449	3,662,466	16,444,915
Other Amounts Due in More Than One Year	<u>2,859,282</u>	<u>16,191,074</u>	<u>19,050,356</u>
Total Liabilities	<u>17,290,308</u>	<u>21,699,138</u>	<u>38,989,446</u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	310,273	67,759	378,032
Property Taxes	1,691,266	-	1,691,266
Tax Increment Financing	<u>231,682</u>	<u>-</u>	<u>231,682</u>
Total Deferred Inflows of Resources	<u>2,233,221</u>	<u>67,759</u>	<u>2,300,980</u>
NET POSITION:			
Net Investment in Capital Assets	14,369,672	15,003,242	29,372,914
Restricted for:			
Debt Service	15,809	-	15,809
Utility Debt Service	-	968,509	968,509
Social Services	125,416	-	125,416
Public Safety	701,192	-	701,192
Road Construction / Public Works	325,414	-	325,414
Leisure Activities	347,991	-	347,991
Public Health and Welfare Services	368,400	-	368,400
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>(5,104,812)</u>	<u>256,517</u>	<u>(4,848,295)</u>
Total Net Position	<u>\$ 11,184,082</u>	<u>\$ 16,228,268</u>	<u>\$ 27,412,350</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 5,980,242	\$ 1,514,113	\$ -	\$ -	\$ (4,466,129)		\$ (4,466,129)
Security of Persons & Property	5,810,457	1,043,609	284,058	-	(4,482,790)		(4,482,790)
Public Health & Welfare Services	989,751	91,299	360,751	-	(537,701)		(537,701)
Leisure Time Activities	586,422	-	28,238	313,203	(244,981)		(244,981)
Transportation	2,810,763	331,828	1,317,953	868,841	(292,141)		(292,141)
Debt Service							
Interest	153,618	-	-	-	(153,618)		(153,618)
Total Governmental Activities	<u>16,331,253</u>	<u>2,980,849</u>	<u>1,991,000</u>	<u>1,182,044</u>	<u>(10,177,360)</u>		<u>(10,177,360)</u>
Business-Type Activities:							
Water	4,233,710	3,700,951	-	-		(532,759)	(532,759)
Sewer	3,662,682	2,864,067	-	-		(798,615)	(798,615)
Waste	2,705,625	2,542,589	-	236,359		73,323	73,323
Total Business-Type Activities	<u>10,602,017</u>	<u>9,107,607</u>	<u>-</u>	<u>236,359</u>		<u>(1,258,051)</u>	<u>(1,258,051)</u>
Total	<u>\$ 26,933,270</u>	<u>\$ 12,088,456</u>	<u>\$ 1,991,000</u>	<u>\$ 1,418,403</u>	<u>(10,177,360)</u>	<u>(1,258,051)</u>	<u>(11,435,411)</u>
General Revenues:							
Municipal Income Taxes, Levied for:							
General Purposes					7,877,326	-	7,877,326
Other Local Taxes					154,007	-	154,007
Property Taxes Levied for:							
General Purposes					407,566	-	407,566
Security of Persons & Property					924,161	-	924,161
Street Lighting					167,156	-	167,156
Leisure Time Activities					404,678	-	404,678
Service Payments					231,682	-	231,682
Grants and Contributions not Restricted to Specific Programs					403,337	-	403,337
Investment Earnings					45,651	65,636	111,287
Miscellaneous					803,003	343,171	1,146,174
Gain on sale of capital assets					7,847	30,000	37,847
Transfers					40,417	(40,417)	-
Total					<u>11,466,831</u>	<u>398,390</u>	<u>11,865,221</u>
Change in Net Position					1,289,471	(859,661)	429,810
Net Position, Beginning of Year					<u>9,894,611</u>	<u>17,087,929</u>	<u>26,982,540</u>
Net Position, End of Year					<u>\$ 11,184,082</u>	<u>\$ 16,228,268</u>	<u>\$ 27,412,350</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 3,022,069	\$ 59,301	\$ 21,582	\$ 2,300,399	\$ 5,403,351
Receivables:					
Taxes	1,803,777	-	283,894	1,319,819	3,407,490
Accounts	107,935	-	50	22,527	130,512
Loans Receivable	-	-	-	570,208	570,208
Interfund Receivable	62,366	-	-	-	62,366
Due from Other Funds	358,392	-	-	-	358,392
Due from Other Governments	173,680	42,948	11,002	432,105	659,735
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 5,528,219</u>	<u>\$ 102,249</u>	<u>\$ 316,528</u>	<u>\$ 4,645,058</u>	<u>\$ 10,592,054</u>
LIABILITIES:					
Accounts Payable	\$ 193,981	\$ 25,844	\$ 12,565	\$ 123,777	\$ 356,167
Accrued Wages and Benefits	52,243	25,564	29,232	78,125	185,164
Insurance Claims Payable	380,600	-	-	-	380,600
Interfund Payable	-	-	-	62,366	62,366
Due to Other Funds	-	10,070	44,362	200,812	255,244
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>626,824</u>	<u>61,478</u>	<u>86,159</u>	<u>465,080</u>	<u>1,239,541</u>
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes	429,617	-	260,947	1,000,702	1,691,266
Tax Increment Financing	-	-	-	231,682	231,682
Unavailable Resources for:					
Municipal Income Taxes	507,905	-	-	-	507,905
Delinquent Property Taxes	40,455	-	22,947	87,435	150,837
Intergovernmental	110,171	42,948	11,002	191,187	355,308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>1,088,148</u>	<u>42,948</u>	<u>294,896</u>	<u>1,511,006</u>	<u>2,936,998</u>
FUND BALANCES:					
Nonspendable	2,870	-	-	35,000	37,870
Restricted for:					
Debt Service	-	-	-	15,809	15,809
Social Services	-	-	-	125,416	125,416
Public Safety	-	-	-	736,935	736,935
Road Construction / Public Works	-	-	-	222,481	222,481
Leisure Activities	-	-	-	315,126	315,126
Public Health and Welfare Services	-	-	-	368,400	368,400
Committed to:					
Social Services	-	-	-	912,672	912,672
Leisure Activities	-	-	-	56,812	56,812
Assigned to:					
Self Insurance	11,220	-	-	-	11,220
Other Purposes	254,576	-	-	-	254,576
Unassigned	3,544,581	(2,177)	(64,527)	(119,679)	3,358,198
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,813,247</u>	<u>(2,177)</u>	<u>(64,527)</u>	<u>2,668,972</u>	<u>6,415,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,528,219</u>	<u>\$ 102,249</u>	<u>\$ 316,528</u>	<u>\$ 4,645,058</u>	<u>\$ 10,592,054</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
 CLINTON COUNTY
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2017

Total Governmental Fund Balances	\$	6,415,515
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,528,803
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		1,014,050
The deferred loss on refunding does not represent a use of current resources and therefore it is not reported in the funds		9,192
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	3,895,172	
Deferred Inflows - Pension	(310,273)	
Net Pension Liability	(12,782,449)	(9,197,550)
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:		
Note Payable		(755,452)
Capital Lease Payable		(58,998)
Accrued Interest on Long-Term Debt		(39,216)
Police and Fire Pension Obligations		(78,886)
General Obligation Bonds Payable		(1,895,000)
Bond Premium		(77,325)
Compensated Absences		(681,051)
Net Position of Governmental Activities	\$	11,184,082

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, 2017

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$ 424,346	\$ -	\$ 253,480	\$ 1,519,748	\$ 2,197,574
Municipal Income Taxes	7,645,831	-	-	-	7,645,831
Intergovernmental	394,882	918,709	36,073	2,147,876	3,497,540
Charges for Services	1,269,728	281,828	-	75,654	1,627,210
Licenses and Permits	59,511	-	-	-	59,511
Fees, Fines and Forfeitures	745,051	-	1,413	471,622	1,218,086
Special Assessments	76,042	-	-	167,156	243,198
Investment Income	44,911	-	-	740	45,651
Other Revenue	<u>349,650</u>	<u>41,598</u>	<u>48,595</u>	<u>275,606</u>	<u>715,449</u>
Total Revenues	<u>11,009,952</u>	<u>1,242,135</u>	<u>339,561</u>	<u>4,658,402</u>	<u>17,250,050</u>
EXPENDITURES:					
Current:					
General Government	5,273,356	-	-	231,791	5,505,147
Security of Persons & Property	112,974	-	2,298,442	2,569,165	4,980,581
Transportation	-	1,314,926	-	921,948	2,236,874
Public Health & Welfare Services	-	-	-	982,415	982,415
Leisure Time Activities	-	-	-	453,343	453,343
Capital Outlay	45,657	191,885	63,165	590,895	891,602
Debt Service:					
Principal	87,792	-	-	575,089	662,881
Interest	<u>41,095</u>	<u>-</u>	<u>-</u>	<u>139,244</u>	<u>180,339</u>
Total Expenditures	<u>5,560,874</u>	<u>1,506,811</u>	<u>2,361,607</u>	<u>6,463,890</u>	<u>15,893,182</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>5,449,078</u>	<u>(264,676)</u>	<u>(2,022,046)</u>	<u>(1,805,488)</u>	<u>1,356,868</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	40,417	259,400	1,931,800	2,311,395	4,543,012
Transfers Out	<u>(4,502,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,502,595)</u>
Total Other Financing Sources (Uses):	<u>(4,462,178)</u>	<u>259,400</u>	<u>1,931,800</u>	<u>2,311,395</u>	<u>40,417</u>
Net Change in Fund Balance	986,900	(5,276)	(90,246)	505,907	1,397,285
Fund Balance, Beginning of Year	<u>2,826,347</u>	<u>3,099</u>	<u>25,719</u>	<u>2,163,065</u>	<u>5,018,230</u>
Fund Balance (Deficit), End of Year	<u>\$ 3,813,247</u>	<u>\$ (2,177)</u>	<u>\$ (64,527)</u>	<u>\$ 2,668,972</u>	<u>\$ 6,415,515</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, 2017

Total Change in Fund Balances - Governmental Funds	\$	1,397,285
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. Also, donated capital assets are not reported in the governmental funds as they do not provide current financial resources, however, donated capital assets are reported in the statement of net position and as capital contributions in the statement of activities. The amounts for the current period are:		
Capital Outlay	987,802	
Depreciation	<u>(907,057)</u>	80,745
Governmental funds report disposals of capital assets only to the extent proceeds are received from a sale. In the statement of activities, a gain or loss is reported for each sale. This amount represents the current year loss on disposal of capital assets which is reported in the functional expenses on the statement of activities.		
		(799)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds:		
Property Taxes	(75,480)	
Income Taxes	231,495	
Intergovernmental Revenue	<u>78,841</u>	234,856
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		910,055
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,001,572)
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 position.		
		662,881
Some expenses reported in the statement of activities do not require the use of governmental funds:		
Compensated Absences	(20,701)	
Accrued Interest Payable	8,138	
Amortization of Deferred Amount on Refunding	(2,506)	
Amortization of Bond Premium	<u>21,089</u>	<u>6,020</u>
Change in Net Position of Governmental Activities	\$	<u>1,289,471</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Enterprise Funds
December 31, 2017

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,037,012	\$ 4,091,622	\$ 746,212	\$ 6,874,846
Accounts Receivable	334,784	269,935	272,091	876,810
Due from Other Governments	-	-	111,359	111,359
Restricted Assets:				
Cash and Cash Equivalents	968,369	140	-	968,509
Total Current Assets	<u>3,340,165</u>	<u>4,361,697</u>	<u>1,129,662</u>	<u>8,831,524</u>
Noncurrent Assets:				
Land	659,657	1,057,709	713,641	2,431,007
Capital Assets, net of accumulated depreciation	15,890,710	7,485,919	1,853,088	25,229,717
Total Noncurrent Assets	<u>16,550,367</u>	<u>8,543,628</u>	<u>2,566,729</u>	<u>27,660,724</u>
Total Assets	<u>19,890,532</u>	<u>12,905,325</u>	<u>3,696,391</u>	<u>36,492,248</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions	464,684	501,399	444,268	1,410,351
Deferred Amount on Refunding	195,714	-	-	195,714
Total Deferred Outflows of Resources	<u>660,398</u>	<u>501,399</u>	<u>444,268</u>	<u>1,606,065</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,550,930</u>	<u>\$ 13,406,724</u>	<u>\$ 4,140,659</u>	<u>\$ 38,098,313</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 171,535	\$ 119,544	\$ 338,748	\$ 629,827
Accrued Wages and Benefits	25,299	23,048	19,084	67,431
Due to Other Funds	32,750	35,199	35,199	103,148
Accrued Compensated Absences	22,967	29,986	24,084	77,037
Accrued Interest Payable	30,420	19,524	13,476	63,420
Long-Term Notes Payable - current	-	54,991	250,000	304,991
Capital Lease Payable - current	-	-	172,892	172,892
Mortgage Revenue Bonds Payable - current	530,000	-	-	530,000
Total Current Liabilities	<u>812,971</u>	<u>282,292</u>	<u>853,483</u>	<u>1,948,746</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	68,901	89,957	72,251	231,109
Postclosure Care	-	-	4,114,652	4,114,652
Notes Payable	-	870,516	250,000	1,120,516
Capital Lease Payable	-	-	380,473	380,473
Mortgage Revenue Bonds Payable	9,690,000	-	-	9,690,000
Accrued Bond Premium	654,324	-	-	654,324
Net Pension Liability	1,187,623	1,300,893	1,173,950	3,662,466
Total Noncurrent Liabilities	<u>11,600,848</u>	<u>2,261,366</u>	<u>5,991,326</u>	<u>19,853,540</u>
Total Liabilities	<u>12,413,819</u>	<u>2,543,658</u>	<u>6,844,809</u>	<u>21,802,286</u>
DEFERRED INFLOWS OF RESOURCES:				
Pensions	22,349	24,121	21,289	67,759
Total Deferred Inflows of Resources	<u>22,349</u>	<u>24,121</u>	<u>21,289</u>	<u>67,759</u>
Total Liabilities and Deferred Inflows of Resources	12,436,168	2,567,779	6,866,098	21,870,045
NET POSITION:				
Net Investment in Capital Assets	5,871,757	7,618,121	1,513,364	15,003,242
Restricted for:				
Utility Debt Service	968,369	140	-	968,509
Unrestricted	1,274,636	3,220,684	(4,238,803)	256,517
Total Net Position	<u>8,114,762</u>	<u>10,838,945</u>	<u>(2,725,439)</u>	<u>16,228,268</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 20,550,930</u>	<u>\$ 13,406,724</u>	<u>\$ 4,140,659</u>	<u>\$ 38,098,313</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Funds
For the Year Ended December 31, 2017

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	\$ 3,700,951	\$ 2,864,067	\$ 2,542,589	\$ 9,107,607
Other Revenue	55,045	239,853	48,273	343,171
Total Operating Revenues	<u>3,755,996</u>	<u>3,103,920</u>	<u>2,590,862</u>	<u>9,450,778</u>
OPERATING EXPENSES:				
Personal Services	1,372,583	1,501,189	1,336,345	4,210,117
Contractual Services	1,025,744	814,593	948,171	2,788,508
Materials and Supplies	493,265	529,870	112,705	1,135,840
Depreciation	633,283	785,699	174,092	1,593,074
Closure and Postclosure Care	-	-	98,600	98,600
Total Operating Expenses	<u>3,524,875</u>	<u>3,631,351</u>	<u>2,669,913</u>	<u>9,826,139</u>
Operating Income (Loss)	<u>231,121</u>	<u>(527,431)</u>	<u>(79,051)</u>	<u>(375,361)</u>
NON-OPERATING REVENUE (EXPENSES):				
Intergovernmental	-	-	236,359	236,359
Investment Income	34,730	30,906	-	65,636
Interest and Fiscal Charges	(588,209)	(31,331)	(35,712)	(655,252)
Bond Issuance Costs	(120,626)	-	-	(120,626)
Gain on the Sale of Capital Assets	-	30,000	-	30,000
Total Non-Operating Revenues (Expenses)	<u>(674,105)</u>	<u>29,575</u>	<u>200,647</u>	<u>(443,883)</u>
Income (Loss) Before Transfers	(442,984)	(497,856)	121,596	(819,244)
Transfers-Out	<u>(30,038)</u>	<u>(6,165)</u>	<u>(4,214)</u>	<u>(40,417)</u>
Change in Net Position	(473,022)	(504,021)	117,382	(859,661)
Net Position, Beginning of Year	<u>8,587,784</u>	<u>11,342,966</u>	<u>(2,842,821)</u>	<u>17,087,929</u>
Net Position, End of Year	<u>\$ 8,114,762</u>	<u>\$ 10,838,945</u>	<u>\$ (2,725,439)</u>	<u>\$ 16,228,268</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2017

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 3,695,784	\$ 2,874,472	\$ 2,529,490	\$ 9,099,746
Cash Paid for Employees Salaries and Benefits	(1,216,380)	(1,301,274)	(1,163,184)	(3,680,838)
Cash Paid to Suppliers	(1,373,073)	(1,325,970)	(1,012,106)	(3,711,149)
Other Operating Revenues	<u>106,656</u>	<u>292,966</u>	<u>100,580</u>	<u>500,202</u>
Net Cash Provided by Operating Activities	<u>1,212,987</u>	<u>540,194</u>	<u>454,780</u>	<u>2,207,961</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers	<u>(30,038)</u>	<u>(6,165)</u>	<u>(4,214)</u>	<u>(40,417)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(30,038)</u>	<u>(6,165)</u>	<u>(4,214)</u>	<u>(40,417)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grants	-	-	125,000	125,000
Capital Expenditures	(47,546)	(378,938)	(169,852)	(596,336)
Proceeds from sale of assets	-	30,000	-	30,000
Issuance of Mortgage Revenue Bonds	10,485,000	-	-	10,485,000
Bond Premium	676,885	-	-	676,885
Principal on Mortgage Revenue Bonds	(9,010,000)	-	-	(9,010,000)
Issuance of Bond Anticipation Note	-	-	500,000	500,000
Bond Issuance Costs	(120,626)	-	-	(120,626)
Principal on Bond Anticipation Note	-	-	(500,000)	(500,000)
Principal on Note Payable	(2,120,000)	(52,777)	-	(2,172,777)
Principal on Capital Lease	-	-	(167,912)	(167,912)
Interest Paid	<u>(598,554)</u>	<u>(32,444)</u>	<u>(34,182)</u>	<u>(665,180)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(734,841)</u>	<u>(434,159)</u>	<u>(246,946)</u>	<u>(1,415,946)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Repayment of Internal Borrowing	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	<u>34,730</u>	<u>30,906</u>	<u>-</u>	<u>65,636</u>
Increase in Cash and Cash Equivalents	482,838	130,776	(96,380)	517,234
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>2,522,543</u>	<u>3,960,986</u>	<u>842,592</u>	<u>7,326,121</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 3,005,381</u>	<u>\$ 4,091,762</u>	<u>\$ 746,212</u>	<u>\$ 7,843,355</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Statement of Net Position to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Statement of Net Position	\$ 2,037,012	\$ 4,091,622	\$ 746,212	\$ 6,874,846
Plus: Restricted Cash and Cash Equivalents	<u>968,369</u>	<u>140</u>	<u>-</u>	<u>968,509</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 3,005,381</u>	<u>\$ 4,091,762</u>	<u>\$ 746,212</u>	<u>\$ 7,843,355</u>

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2017
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 231,121	\$ (527,431)	\$ (79,051)	\$ (375,361)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	633,283	785,699	174,092	1,593,074
Landfill Closure and Postclosure Costs	-	-	98,600	98,600
Change in Deferred Outflows of Resources - Pension	(93,217)	(100,973)	(86,618)	(280,808)
Change in Deferred Inflows of Resources - Pension	4,007	4,340	3,723	12,070
Changes in Assets and Liabilities:				
Accounts Receivable	(5,167)	10,405	(13,099)	(7,861)
Due from Other Funds	18,861	17,914	17,108	53,883
Accounts Payable	145,936	18,493	48,770	213,199
Accrued Wages & Benefits	2,940	2,238	490	5,668
Due to Other Funds	32,750	35,199	35,199	103,148
Accrued Compensated Absences	(10,490)	20,299	20,512	30,321
Net Pension Liability	252,963	274,011	235,054	762,028
Net Cash Provided by Operating Activities	<u>\$ 1,212,987</u>	<u>\$ 540,194</u>	<u>\$ 454,780</u>	<u>\$ 2,207,961</u>
Supplemental Disclosure of Noncash Investing and Financing Activities				
Capital Expenditures Funded by Accounts Payable	\$ -	\$ 21,719	\$ 236,359	\$ 258,078

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2017

ASSETS:

Equity in Pooled Cash and Cash Equivalents	\$ 167,219
Total Assets	<u>\$ 167,219</u>

LIABILITIES:

Undistributed Monies	\$ 167,219
Total Liabilities	<u>\$ 167,219</u>

See accompanying notes to the basic financial statements.

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CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 1 – REPORTING ENTITY

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 14 for additional details.

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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 position 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.

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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Taxi Fund – The Taxi Fund is used to account for restricted grants received for general operations of public transportation for the City.

Police Fund – The Police Fund is used to account for restricted property taxes levied 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 or committed to a particular purpose.

Proprietary Funds

The proprietary fund reporting focuses on the determination of operating income, changes in net position, 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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City's 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 deferred outflows of resources as well as all liabilities and deferred inflows of resources associated with the operations of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 outflows/inflows of resources and in the presentation of expenses versus expenditures.

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, tax increment financing, pension, and unavailable revenue. Property taxes and tax increment financing represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 9.

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.

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 2017, the City invested in STAROhio. STAROhio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The City measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

In addition to the investment in STAROhio, other investments held by the City at year end include U.S agency securities, certificates of deposit and money market funds. These investments are reported at fair value, which is based on quoted market prices. See Note 5 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Receivables and Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified on the fund statements as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables”. Noncurrent portion of long-term interfund loans receivables are reported as advances and in governmental funds are offset equally by an assignment of fund balance, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

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 position 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 position.

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 acquisition value 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

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A liability for sick leave is accrued based on the vesting method 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 ten 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. 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, certain expenses, such as compensated absences, that will be paid from the governmental funds 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.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – resources that are constrained for specific purposes that are internally imposed by the government through an affirmative vote of its highest level of decision making authority, the City Council, an ordinance.

Assigned – resources that are intended for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Auditor through the formal purchasing procedures.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position is 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.

Pensions

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

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. There were no such transactions or events for 2017.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principle

For 2017, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements related to certain pension issues, including presentation of payroll-related measures in RSI, selection of assumptions, and classification of employer-paid member contributions. These changes are incorporated into the City's 2017 financial statements; however, there was no effect on beginning net position or fund balance.

Issued but Not Implemented Accounting Standard

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the City to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The City has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements; however, that effect is anticipated to be significant.

NOTE 4 – ACCOUNTABILITY

At December 31, 2017 the following individual funds reported deficit fund balances: Taxi, Police, Chip Program Income, Lodging Excise Tax, Police Pension, Fire, Fire Pension, 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, 2017

NOTE 5 – 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 Position 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.

At year end the carrying amount of the City's deposits was \$5,512,246 and the bank balance was \$5,657,916. Of the bank balance, \$663,624 was covered by federal deposit insurance and \$4,994,292 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments

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

	Fair Value	Credit Rating	Investment Maturities (in Years)			Percentage of Portfolio
			less than 1	1 to 3	3 to 5	
Money Market Funds	\$ 983,432	N/A	\$ 983,432	\$ -	\$ -	12.4%
Negotiable Certificates of Deposit	2,553,482	N/A	834,531	1,718,951	-	32.3%
STAROhio	501,392	AAAm	501,392	-	-	6.3%
Federal Home Loan Mortgage Corporation	1,681,715	AA+	-	-	1,681,715	21.3%
Federal Home Loan Bank	1,427,144	AA+	-	-	1,427,144	18.1%
Federal National Mortgage Association	754,514	AA+	-	-	754,514	9.6%
Total Investments	<u>\$ 7,901,679</u>		<u>\$ 2,319,355</u>	<u>\$ 1,718,951</u>	<u>\$ 3,863,373</u>	<u>100.0%</u>

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

Credit Risk – The City's investment policy restricts investments in obligations of the United States Treasury and Federal Agencies to direct obligations of the issuing entity. The City's policy requires commercial paper to have a credit rating in the highest classification established by at least two nationally recognized standard rating services and the aggregate value of the notes cannot exceed ten per cent of the outstanding commercial paper of the issuing corporation. Bankers acceptances are restricted to those insured by the federal deposit insurance corporation, are eligible for purchase by the Federal Reserve System and the obligations mature not later than one hundred eighty days after purchase. All negotiable certificates of deposit are covered by FDIC.

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. 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	\$ 13,413,925	-
Investments:		
Money Market Funds	(983,432)	983,432
Certificates of Deposit	(2,553,482)	2,553,482
STAROhio	(501,392)	501,392
US Government Agency Obligations	<u>(3,863,373)</u>	<u>3,863,373</u>
Per Footnote	<u>\$ 5,512,246</u>	<u>7,901,679</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement

The City's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 — Investments reflect prices quoted in active markets.
- Level 2 — Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 — Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable Certificates of Deposit	2,553,482	-	2,553,482	-
US Government Agency Obligations	3,863,373	3,863,373	-	-
Total Investments	<u>\$ 6,416,855</u>	<u>\$ 3,863,373</u>	<u>\$ 2,553,482</u>	<u>\$ -</u>

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City's investments in STAROhio and mutual funds are measured at amortized cost and therefore are not classified based on the hierarchy above.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2017 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, 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 and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 6 – RECEIVABLES (Continued)

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance operations in the subsequent year. 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.

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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 224,199,430
Public Utility Tangible Personal Property Assessed Valuation	<u>7,041,030</u>
Total	<u>\$ 231,240,460</u>

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, 2017, and for which there is an enforceable legal claim.

In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2017 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 1.5% (1.0% through 2016; 1.5% effective January 1, 2017) 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 6 – RECEIVABLES (Continued)

Due from Other Governments

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 140,964
Homestead/Rollback	71,979
Gasoline tax	224,640
Motor vehicle license fees	6,874
OPWC grant	96,410
ODNR grant	63,170
Other	<u>55,698</u>
	659,735
 <u>Business-Type Activities:</u>	
EPA Grant	<u>111,359</u>
Total	<u>\$ 771,094</u>

NOTE 7 - INTERFUND ACTIVITY

Transfers are used to subsidize ongoing operations or functions of the recipient funds, as well as to pay scheduled debt service payments as they become due and are not intended to be repaid. Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Water Fund	Sewer Fund	Waste Fund	
General Fund	\$ -	\$ 30,038	\$ 6,165	\$ 4,214	\$ 40,417
Taxi Fund	259,400	-	-	-	259,400
Police Fund	1,931,800	-	-	-	1,931,800
Nonmajor Governmental Funds	<u>2,311,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,311,395</u>
Total	<u>\$ 4,502,595</u>	<u>\$ 30,038</u>	<u>\$ 6,165</u>	<u>\$ 4,214</u>	<u>\$ 4,543,012</u>

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 were not sufficient to cover the current year claims expense plus the year-end accrual for claims payable. The table below also includes \$137,000 in notes outstanding which were held by the City. A summary of the interfund due to and due from amounts as of December 31, 2017 is below:

Due From	Due To
	General Fund
Taxi Fund	\$ 10,070
Police Fund	44,362
Water Fund	32,750
Sewer Fund	35,199
Waste Fund	35,199
Nonmajor Governmental Funds	<u>200,812</u>
Total	<u>\$ 358,392</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 7 - INTERFUND ACTIVITY (Continued)

Interfund Receivable/Payable

During 2017, the General Fund advanced funds to the Land and Water Grant Fund to provide funding for capital improvement projects for the City's various parks. These advances are expected to be repaid to the General Fund, once the Land and Water Grant Fund receives funding from grantor as the grant is paid on a reimbursement basis. At December 31, 2017 the outstanding balance of the advances outstanding was \$62,366.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<u>Governmental Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 3,327,268	96,200	-	3,423,468
Depreciable capital assets:				
Buildings	8,843,976	118,473	-	8,962,449
Improvements	532,287	-	-	532,287
Equipment	3,130,418	518,079	(14,832)	3,633,665
Vehicles	6,630,731	255,050	(112,815)	6,772,966
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	5,480,443	-	-	5,480,443
Depreciable capital assets	<u>24,642,908</u>	<u>891,602</u>	<u>(127,647)</u>	<u>25,406,863</u>
Less: accumulated depreciation				
Buildings	(3,160,352)	(190,864)	-	(3,351,216)
Improvements	(316,345)	(19,372)	-	(335,717)
Equipment	(3,021,743)	(192,186)	14,033	(3,199,896)
Vehicles	(4,288,791)	(394,782)	112,815	(4,570,758)
Furniture & Fixtures	(25,053)	-	-	(25,053)
Infrastructure	(709,035)	(109,853)	-	(818,888)
Accumulated depreciation	<u>(11,521,319)</u>	<u>(907,057) *</u>	<u>126,848</u>	<u>(12,301,528)</u>
Depreciable capital assets, net	<u>13,121,589</u>	<u>(15,455)</u>	<u>(799)</u>	<u>13,105,335</u>
Governmental activities				
capital assets, net	\$ <u>16,448,857</u>	<u>80,745</u>	<u>(799)</u>	<u>16,528,803</u>

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

General Government	\$ 134,274
Security of Persons & Property	380,641
Leisure Time Activities	92,647
Transportation	299,495
	<u>907,057</u>
	\$ <u>907,057</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 8 – CAPITAL ASSETS (Continued)

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<u>Business-Type Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 2,431,007	-	-	2,431,007
Non-depreciable capital assets	<u>2,431,007</u>	<u>-</u>	<u>-</u>	<u>2,431,007</u>
Depreciable capital assets:				
Buildings	19,488,314	-	-	19,488,314
Improvements	28,450,415	-	-	28,450,415
Equipment	7,828,438	187,566	-	8,016,004
Vehicles	2,131,211	666,848	(194,806)	2,603,253
Depreciable capital assets	<u>57,898,378</u>	<u>854,414</u>	<u>(194,806)</u>	<u>58,557,986</u>
Less: accumulated depreciation				
Buildings	(6,197,569)	(401,993)	-	(6,599,562)
Improvements	(18,558,720)	(718,694)	-	(19,277,414)
Equipment	(6,056,865)	(379,622)	-	(6,436,487)
Vehicles	(1,116,847)	(92,765)	194,806	(1,014,806)
Accumulated depreciation	<u>(31,930,001)</u>	<u>(1,593,074)</u>	<u>194,806</u>	<u>(33,328,269)</u>
Depreciable capital assets, net	<u>25,968,377</u>	<u>(738,660)</u>	<u>-</u>	<u>25,229,717</u>
Business-Type activities capital assets, net	<u>\$ 28,399,384</u>	<u>(738,660)</u>	<u>-</u>	<u>27,660,724</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

**CITY OF WILMINGTON, OHIO
CLINTON COUNTY**
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions. For 2017, member contribution rates were 10% of salary and employer rates contribution rates were 14%, both of which were equal to the statutory maximum rates provided by the ORC. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 1.0% during calendar year 2017. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution for pension was \$683,935; \$58,751 is reported within accrued wages and benefits payable.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

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

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates:		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2017 Actual Contribution Rates:		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$489,936 for 2017; \$38,798 is reported in accrued wages and benefits payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred to fund their unfunded pension costs associated with police and fire services. As of December 31, 2017, the specific liability of the City is \$78,886 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate share of the net pension liability	\$ 9,333,340	\$ 7,111,575	\$ 16,444,915
Proportion of the net pension liability			
Current measurement date	0.041101%	0.112278%	
Prior measurement date	<u>0.042478%</u>	<u>0.101192%</u>	
Change in proportionate share	<u>-0.001377%</u>	<u>0.011086%</u>	
Pension expense	\$ 1,962,775	\$ 795,904	\$ 2,758,679

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 12,651	\$ 2,009	\$ 14,660
Net difference between projected and actual earnings on pension plan investments	1,389,951	691,570	2,081,521
Change in assumptions	1,480,383	-	1,480,383
Change in City proportionate share and difference in employers contributions	24,804	530,284	555,088
City contributions subsequent to the measurement date	<u>683,935</u>	<u>489,936</u>	<u>1,173,871</u>
Total	<u>\$ 3,591,724</u>	<u>\$ 1,713,799</u>	<u>\$ 5,305,523</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	(55,547)	(16,374)	(71,921)
Change in City proportionate share and difference in employers contributions	<u>(116,981)</u>	<u>(189,130)</u>	<u>(306,111)</u>
Total	<u>\$ (172,528)</u>	<u>\$ (205,504)</u>	<u>\$ (378,032)</u>

\$1,173,871 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Fiscal Year Ending December 31:			
2018	\$ 1,131,425	\$ 321,277	\$ 1,452,702
2019	1,155,282	321,277	1,476,559
2020	489,297	258,606	747,903
2021	(40,743)	11,706	(29,037)
2022	-	95,055	95,055
Thereafter	-	10,438	10,438
	<u>\$ 2,735,261</u>	<u>\$ 1,018,359</u>	<u>\$ 3,753,620</u>

Actuarial Assumptions - OPERS

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	12/31/16 Valuation	12/31/15 Valuation
Wage inflation	3.25 percent	3.75 percent
Future salary increases, including inflation	3.25% to 10.75%	4.25% to 10.05%
COLA or Ad Hoc COLA		
Pre-January 7, 2013 retirees	3.00%, simple	3.00%, simple
Post-January 7, 2013 retirees	3.00%, simple through 2018, then 2.15% simple	3.00%, simple through 2018, then 2.80% simple
Investment rate of return	7.50%	8.00%
Actuarial cost method	Individual Entry Age	Individual Entry Age
Mortality tables	RP-2014	RP-2000

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2016.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate::

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City’s proportionate share of the net pension liability	\$ 14,258,950	\$ 9,333,340	\$ 5,228,939

Actuarial Assumptions - OP&F

OP&F’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	1/1/2016 with actuarial liabilities rolled forward to 12/31/2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% to 11.00%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00% simple

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

The most recent experience study was completed for the five-year period ended December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

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

* - levered 2x

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 9,471,775	\$ 7,111,575	\$ 5,111,273

Changes Between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined Plans was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMAs for participants in the Member-Directed Plan for 2017 was 4%.

The City's actual contributions for 2017, 2016 and 2015, which were used to fund post-employment benefits, were \$54,930, \$109,579 and \$109,800, respectively. The actual contribution and the actuarially required contribution amounts are the same.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare 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 dependent.

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 statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described by GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 – 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 administrated as an Internal Service Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, employer contributions allocated to health care was 0.5% 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 2017, 2016 and 2015 that were used to fund post-employment benefits were \$11,730, \$11,520 and \$11,309 for police and firefighters, respectively.

NOTE 11 – 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, 2017, the estimated total absences payable of the City was \$989,197.

NOTE 12 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2017 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds Payable	\$ 2,410,000	\$ -	\$ 515,000	\$ 1,895,000	\$ 455,000
Accrued Bond Premium	98,414	-	21,089	77,325	-
Total General Obligation Bonds	2,508,414	-	536,089	1,972,325	455,000
Note Payable	843,244	-	87,792	755,452	92,328
Capital Leases Payable	116,090	-	57,092	58,998	58,998
Compensated Absences	660,350	77,978	57,277	681,051	77,978
Police and Fire Pension	81,883	-	2,997	78,886	3,126
Net Pension Liability:					
OPERS	4,457,369	1,213,505	-	5,670,874	
OP&F	6,509,754	601,821	-	7,111,575	-
Total Governmental Activities	<u>\$ 15,177,104</u>	<u>\$ 1,893,304</u>	<u>\$ 741,247</u>	<u>\$ 16,329,161</u>	<u>\$ 687,430</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Business-Type Activities:</i>					
Mortgage Revenue Bonds Payable	\$ 8,745,000	\$ 10,485,000	\$ 9,010,000	\$ 10,220,000	\$ 530,000
Accrued Bond Premium	12,599	676,885	35,160	654,324	-
Total Mortgage Revenue Bonds	8,757,599	11,161,885	9,045,160	10,874,324	530,000
Note Payable	978,284	-	52,777	925,507	54,991
Bond Anticipation Notes	2,620,000	500,000	2,620,000	500,000	250,000
Capital Leases Payable	721,277	-	167,912	553,365	172,892
Estimated Liability for Landfill					
Closure and Postclosure Care	4,016,052	98,600	-	4,114,652	-
Compensated Absences	277,825	122,545	92,224	308,146	77,037
Net Pension Liability:					
OPERS	2,900,438	762,028	-	3,662,466	-
Total Business-Type Activities	<u>\$ 20,271,475</u>	<u>\$ 12,645,058</u>	<u>\$ 11,978,073</u>	<u>\$ 20,938,460</u>	<u>\$ 1,084,920</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 one general obligation bond issue outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Amount Outstanding at Year End
2013	Mun Bldg/Fire Refunding	2.0% to 4.0%	2021	\$ 3,635,000	\$ 1,895,000

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

Year Ending December 31	Principal	Interest	Total
2018	455,000	66,700	521,700
2019	465,000	57,600	522,600
2020	475,000	39,000	514,000
2021	500,000	20,000	520,000
Total	<u>\$ 1,895,000</u>	<u>\$ 183,300</u>	<u>\$ 2,078,300</u>

Bond Anticipation Notes

In June 2018, the City issued \$500,000 of 2018 bond anticipation notes to pay-off the 2017 bond anticipation notes payable. As the new notes extended the maturity date of the bond anticipation notes past 12 months after the date of these financial statements, the bond anticipation notes will be treated as long-term obligations of the City. When the 2018 notes were issued, the City reduced the obligations of the business-type activities obligation by \$250,000.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

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, 2017 are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Outstanding at Year End
2017	Waterworks System Revenue Bonds	2.00% to 4.00%	2032	\$ 10,485,000	\$ 10,220,000

During 2017, the City issued \$10,485,000 in Water System Refunding Revenue Bonds. The proceeds were used to refund \$8,645,000 of outstanding 2007 Water Works Improvement bonds and \$1,730,000 of outstanding bond anticipation notes which had interest rates ranging from 4.00% to 4.25% and 2.00%, respectively. The net proceeds, plus additional cash, totaling \$8,667,864 were placed into an irrevocable trust with an escrow agent to provide funds to call the refunded debt on June 6, 2017. As a result, the 2007 Water Works Improvement bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The City refunded the 2007 Wastewater Facilities Improvement bonds to reduce its total debt service payments over the next 15 years by \$180,429 and to obtain an economic gain of \$627,080.

The City has pledged future water revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water revenues. Total principal and interest paid during 2017 for the Water mortgage revenue bonds was \$735,444 compared with net revenue of \$864,404.

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

Year Ending December 31	Principal	Interest	Total
2018	\$ 530,000	\$ 362,388	\$ 892,388
2019	545,000	346,438	891,438
2020	565,000	329,938	894,938
2021	580,000	312,838	892,838
2022	595,000	295,388	890,388
2023-2027	3,345,000	1,112,188	4,457,188
2028-2032	4,060,000	399,991	4,459,991
Total	<u>\$ 10,220,000</u>	<u>\$ 3,159,169</u>	<u>\$ 13,379,169</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

OWDA Loan Payable

The City has 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 loan has a 4.15 percent interest rate and matures in 2030. The following is the annual debt service requirements to maturity, which is to be repaid through receipts collected in the Sewer fund:

Year Ending December 31	Principal	Interest	Total
2018	54,991	37,844	\$ 92,835
2019	57,296	35,538	92,834
2020	59,699	33,136	92,835
2021	62,202	30,632	92,834
2022	64,810	28,024	92,834
2023-2027	367,165	97,007	464,172
2028-2030	259,344	19,157	278,501
Total	<u>\$ 925,507</u>	<u>\$ 281,338</u>	<u>\$ 1,206,845</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
2018	3,126	3,319	6,445
2019	3,260	3,184	6,444
2020	3,400	3,044	6,444
2021	3,546	2,898	6,444
2022	3,699	2,745	6,444
2023-2027	21,045	11,179	32,224
2028-2032	25,937	6,287	32,224
2033-2035	14,873	950	15,823
Total	<u>\$ 78,886</u>	<u>\$ 33,606</u>	<u>\$ 112,492</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 – 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, maturing on October 1, 2024, with an interest rate of 5 percent. 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
2018	92,328	36,559	128,887
2019	97,099	31,788	128,887
2020	102,038	26,849	128,887
2021	107,387	21,499	128,886
2023	112,936	15,951	128,887
2023-2024	243,664	14,109	257,773
Total	\$ 755,452	\$ 146,755	\$ 902,207

Capital Leases

The City has active capital leases for a fire truck and a Ford Fusion that are recorded in governmental activities. The lease periods are for ten and four years, respectively with annual principal and interest payments. These assets were capitalized for \$461,117 and \$17,595, respectively. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments.

Year Ending December 31	
2018	62,104
Total Minimum Lease Payments	62,104
Less: Amount Representing Interest	(3,106)
Present Value of Minimum Lease Payments	\$ 58,998

The City has an active capital lease for a Volvo Truck that is recorded in business-type activities. The cost of the vehicle was capitalized for \$235,000. The lease period is for a period of 66 months and semi-annual payments are required. Additionally, the City active capital leases for a tractor and loader/carts. The cost of the equipment was capitalized for \$118,933 and \$481,983, respectively. The lease periods are for three and five years, respectively and require both annual and semi-annual principal and interest payments. 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.

Year Ending December 31	
2018	189,299
2019	148,419
2020	148,419
2021	105,678
Total Minimum Lease Payments	591,815
Less: Amount Representing Interest	(38,450)
Present Value of Minimum Lease Payments	\$ 553,365

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 13 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2017 follows:

	Amount Outstanding 12/31/2016	Additions	Retirements	Amount Outstanding 12/31/2017
<u>Governmental Activities:</u>				
0.60% - 2016 Various Purpose General Obligation BAN	\$ 187,000	\$ -	\$ 187,000	\$ -
0.81% - 2017 Various Purpose General Obligation BAN	-	137,000	-	137,000
Total Governmental Activities	\$ 187,000	\$ 137,000	\$ 187,000	\$ 137,000
	Amount Outstanding 12/31/2016	Additions	Retirements	Amount Outstanding 12/31/2017
<u>Business-Type Activities:</u>				
0.60% - 2016 Various Purpose General Obligation BAN	\$ 300,000	\$ -	\$ 300,000	\$ -

On July 14, 2017, the City issued \$137,000 0.81% Bond Anticipation Notes (BAN) to refinance a previously issued BAN used to pay for a portion of the construction for Lowes Road and David's Drive (\$187,000). The BAN issued during the period and outstanding at the end of the period was a City issued note that was purchased by the City. In the financial statements this note is shown as Due From Other Funds that purchased the note and Due To Other Funds by the funds that received the note proceeds. The 2017 BAN matures on July 13, 2018.

NOTE 14 – 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 entities. As of December 31, 2015, 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 entities. 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, 2017

NOTE 14 – RISK MANAGEMENT (Continued)

The individual MVRMA, Inc. members are not considered "participants having equity interest" 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.

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

General Liability	\$	12,000,000	per occurrence
Automobile		12,000,000	per occurrence
Police Professional Liability		12,000,000	per occurrence
Employment Practices & Public Officials Liability		12,000,000	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		2,000,000	per occurrence
Pollution Liability		1,000,000	per condition

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 - \$250,000 per occurrence. The SIR for Boiler and Machinery is \$10,000 - \$500,000 per occurrence. The SIR for Pollution Liability is \$75,000 - \$750,000 per pollution condition. 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, 2017.

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 14 – RISK MANAGEMENT (Continued)

Self-Insured Health Insurance

Beginning in 2009, the City provides health, dental and vision insurance coverage for its employees through a self-insurance plan administered by Anthem. Anthem 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 Anthem to cover loss in excess of \$65,000 per subscriber or \$2,658,189 in aggregate for the plan year ended March 31, 2018. The City expects that all claims will be settled within one year.

Changes in claims activity for employee health insurance benefits for the past two fiscal years are as follows:

Year	Beginning Balance	Current Year Claims	Current Year Claim Payments	Ending Balance
2017	\$ 325,400	2,324,449	2,269,249	380,600
2016	\$ 273,800	2,171,328	2,119,728	325,400

NOTE 15 – 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, 2017 to December 31, 2017, 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.

NOTE 16 - COMMITMENTS

Encumbrances

At December 31, 2017, the City had the following amounts encumbered for purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 242,303
Taxi Fund	584
Police Fund	10,026
Non-major Governmental Funds	55,977
Total	<u>\$ 308,890</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 17 - 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 \$4,114,652 reported as landfill closure and post-closure care liability at December 31, 2017, 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 the additional capacity gained by phase III of the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$4,256,936. 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 18 – SUBSEQUENT EVENTS

In June 2018, the City issued bond anticipation notes in the amount of \$250,000 that provided funding to rollover a portion of the bond anticipation note originally issued in June 2017 for the amount attributable to the landfill.

**CITY OF WILMINGTON
CLINTON COUNTY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST FOUR YEARS (1) (2)**

	2016	2015	2014	2013
<u>Ohio Public Employees Retirement System - Traditional Plan:</u>				
City's Proportion of the Net Pension Liability	0.041101%	0.042478%	0.041663%	0.041663%
City's Proportionate Share of the Net Pension Liability	\$ 9,333,340	\$ 7,357,807	\$ 5,025,136	\$ 4,911,525
City's Covered Payroll	\$ 5,313,650	\$ 5,315,675	\$ 5,107,958	\$ 4,926,883
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.65%	138.42%	98.38%	99.69%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
<u>Ohio Police and Fire Pension Fund:</u>				
City's Proportion of the Net Pension Liability	0.112278%	0.101192%	0.107624%	0.107624%
City's Proportionate Share of the Net Pension Liability	\$ 7,111,575	\$ 6,509,754	\$ 5,575,382	\$ 5,241,636
City's Covered Payroll	\$ 2,368,651	\$ 2,341,055	\$ 2,212,181	\$ 2,500,867
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	300.24%	278.07%	252.03%	209.59%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

(2) Amount presented as of the City's measurement date which is the prior fiscal year.

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

See accountants' compilation report.

**CITY OF WILMINGTON
CLINTON COUNTY
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST FIVE YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Ohio Public Employees Retirement System - Traditional Plan:</u>					
Contractually Required Contribution	\$ 683,935	\$ 637,638	\$ 637,881	\$ 612,955	\$ 591,226
Contributions in Relation to the Contractually Required Contributions	<u>(683,935)</u>	<u>(637,638)</u>	<u>(637,881)</u>	<u>(612,955)</u>	<u>(591,226)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 5,261,038	\$ 5,313,650	\$ 5,315,675	\$ 5,107,958	\$ 4,926,883
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	12.00%
<u>Ohio Police and Fire Pension Fund:</u>					
Contractually Required Contribution	\$ 489,936	\$ 475,862	\$ 470,318	\$ 450,400	\$ 427,148
Contributions in Relation to the Contractually Required Contributions	<u>(489,936)</u>	<u>(475,862)</u>	<u>(470,318)</u>	<u>(450,400)</u>	<u>(427,148)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 2,438,706	\$ 2,368,651	\$ 2,341,055	\$ 2,212,181	\$ 2,500,867
Contributions as a Percentage of Covered Payroll	20.09%	20.09%	20.09%	20.36%	17.08%

Note: Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 7,723,690	7,723,690	7,961,290	237,600
Special Assessments	72,927	72,927	75,170	2,243
Licenses and Permits	57,735	57,735	59,511	1,776
Intergovernmental	367,328	367,328	378,628	11,300
Charges for Services	1,231,834	1,231,834	1,269,728	37,894
Investment Income	43,553	43,553	44,893	1,340
Fees, Fines and Forfeitures	720,440	720,440	742,603	22,163
Other Revenue	<u>3,368,134</u>	<u>3,368,134</u>	<u>3,492,744</u>	<u>124,610</u>
 Total Revenues	 <u>13,585,641</u>	 <u>13,585,641</u>	 <u>14,024,567</u>	 <u>438,926</u>
EXPENDITURES:				
Current:				
General Government	7,372,561	9,175,531	8,650,495	525,036
Security of Persons & Property	<u>503,050</u>	<u>504,394</u>	<u>490,931</u>	<u>13,463</u>
 Total Expenditures	 <u>7,875,611</u>	 <u>9,679,925</u>	 <u>9,141,426</u>	 <u>538,499</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>5,710,030</u>	 <u>3,905,716</u>	 <u>4,883,141</u>	 <u>977,425</u>
OTHER FINANCING SOURCES (USES):				
Transfers-Out	<u>(5,016,695)</u>	<u>(5,162,313)</u>	<u>(4,756,486)</u>	<u>405,827</u>
 Total Other Financing Sources (Uses)	 <u>(5,016,695)</u>	 <u>(5,162,313)</u>	 <u>(4,756,486)</u>	 <u>405,827</u>
 Net Change in Fund Balance	 693,335	 (1,256,597)	 126,655	 1,383,252
Fund Balance, Beginning of Year	2,611,282	2,611,282	2,611,282	-
Prior Year Encumbrances Appropriated	<u>178,778</u>	<u>178,778</u>	<u>178,778</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>3,483,395</u>	<u>1,533,463</u>	<u>2,916,715</u>	<u>1,383,252</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)
Taxi Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 839,006	913,320	789,393	(123,927)
Charges for Services	299,541	326,072	281,828	(44,244)
Other Revenue	<u>44,435</u>	<u>48,369</u>	<u>41,806</u>	<u>(6,563)</u>
Total Revenues	<u>1,182,982</u>	<u>1,287,761</u>	<u>1,113,027</u>	<u>(174,734)</u>
EXPENDITURES:				
Current:				
Transportation	1,396,072	1,404,307	1,283,975	120,332
Capital Outlay	<u>92,484</u>	<u>193,418</u>	<u>62,569</u>	<u>130,849</u>
Total Expenditures	<u>1,488,556</u>	<u>1,597,725</u>	<u>1,346,544</u>	<u>251,181</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(305,574)</u>	<u>(309,964)</u>	<u>(233,517)</u>	<u>76,447</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	<u>275,702</u>	<u>300,123</u>	<u>259,400</u>	<u>(40,723)</u>
Total Other Financing Sources (Uses)	<u>275,702</u>	<u>300,123</u>	<u>259,400</u>	<u>(40,723)</u>
Net Change in Fund Balance	(29,872)	(9,841)	25,883	35,724
Fund Balance, Beginning of Year	2,544	2,544	2,544	-
Prior Year Encumbrances Appropriated	<u>30,767</u>	<u>30,767</u>	<u>30,767</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>3,439</u>	<u>23,470</u>	<u>59,194</u>	<u>35,724</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 272,340	280,876	253,480	(27,396)
Intergovernmental	38,757	39,972	36,073	(3,899)
Fees, Fines and Forfeitures	1,536	1,585	1,430	(155)
Other Revenue	<u>79,726</u>	<u>82,225</u>	<u>74,205</u>	<u>(8,020)</u>
Total Revenues	<u>392,359</u>	<u>404,658</u>	<u>365,188</u>	<u>(39,470)</u>
EXPENDITURES:				
Current:				
Security of Persons & Property	2,438,873	2,439,431	2,232,149	207,282
Capital Outlay	<u>34,000</u>	<u>65,053</u>	<u>63,615</u>	<u>1,438</u>
Total Expenditures	<u>2,472,873</u>	<u>2,504,484</u>	<u>2,295,764</u>	<u>208,720</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(2,080,514)</u>	<u>(2,099,826)</u>	<u>(1,930,576)</u>	<u>169,250</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	<u>2,075,534</u>	<u>2,140,586</u>	<u>1,931,800</u>	<u>(208,786)</u>
Total Other Financing Sources (Uses)	<u>2,075,534</u>	<u>2,140,586</u>	<u>1,931,800</u>	<u>(208,786)</u>
Net Change in Fund Balance	(4,980)	40,760	1,224	(39,536)
Fund Balance, Beginning of Year	4,850	4,850	4,850	-
Prior Year Encumbrances Appropriated	<u>5,576</u>	<u>5,576</u>	<u>5,576</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>5,446</u>	<u>51,186</u>	<u>11,650</u>	<u>(39,536)</u>

See accompanying notes to the required supplementary information.

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CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

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 2017.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

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 are included as part of the appropriate fund balance within governmental 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), The General Fund, Taxi Fund and Police Fund 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. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a component of fund balances (GAAP basis).

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

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 funds.

<u>Changes in Fund Balances</u>				
		General Fund	Taxi Fund	Police Fund
GAAP Basis	\$	986,900	(5,276)	(90,246)
Revenue Accruals		3,027,052	(129,108)	25,627
Expenditure Accruals		(3,458,564)	160,851	75,869
Transfers		(294,308)	-	-
Encumbrances		(242,303)	(584)	(10,026)
Other Funds Legally Budgeted Separately		107,878	-	-
Budget Basis	\$	126,655	25,883	1,224

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Dave Yost • Auditor of State

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

City of Wilmington
Clinton County
69 North South Street
Wilmington, Ohio 45177

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 22, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

August 22, 2018



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
SEPTEMBER 18, 2018