



City of Wilmington, Ohio

Basic Financial Statements

Year Ended December 31, 2011

With Independent Auditors' Report





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Wilmington, Clinton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 15, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 20, 2012

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011. 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 2011 are as follows:

- Total net assets of the City decreased by \$3.0 million during 2011 consisting of a \$2.1 million decrease in governmental activities and a \$0.9 million decrease in business-type activities.
- The General Fund had a decrease in fund balance of \$1,478,611 , or 30.6%, compared with the fund balance reported one year prior.
- Proprietary fund operations posted operating loss of \$1,236,375 due primarily to an increase in contractual services expenditures in the Sewer Fund.
- General Fund actual revenue amounts exceeded budgeted amounts while actual expenditures were less than the budgeted amounts. The General Fund reported a \$931,029 decrease in the budgetary fund balance for the year.

USING THE BASIC FINANCIAL STATEMENTS

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

"How did the City of Wilmington do financially in 2011?" The broad answer to this question can be obtained with a look at the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2011 as compared to 2010.

Table 1
Net Assets, December 31,

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 9,264,383	7,601,705	16,866,088	10,723,397	7,558,755	18,282,152
Capital Assets	15,879,076	35,328,640	51,207,716	16,610,694	36,466,033	53,076,727
Total Assets	<u>25,143,459</u>	<u>42,930,345</u>	<u>68,073,804</u>	<u>27,334,091</u>	<u>44,024,788</u>	<u>71,358,879</u>
Liabilities:						
Current and Other Liabilities	3,696,589	1,224,433	4,921,022	3,463,979	939,047	4,403,026
Long-term Liabilities	7,201,219	19,602,249	26,803,468	7,603,392	20,049,755	27,653,147
Total Liabilities	<u>10,897,808</u>	<u>20,826,682</u>	<u>31,724,490</u>	<u>11,067,371</u>	<u>20,988,802</u>	<u>32,056,173</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	10,149,040	19,804,958	29,953,998	10,422,847	20,339,028	30,761,875
Restricted	1,701,727	1,544,932	3,246,659	196,207	1,210,490	1,406,697
Unrestricted	2,394,884	753,773	3,148,657	5,647,666	1,486,468	7,134,134
Total Net Assets	<u>\$ 14,245,651</u>	<u>22,103,663</u>	<u>36,349,314</u>	<u>16,266,720</u>	<u>23,035,986</u>	<u>39,302,706</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2011, the City's net assets were \$36.3 million. Of this amount, \$30.0 million was invested in capital assets and \$3.2 million was subject to external restrictions for its use. The remaining amount, \$3.1 million, was unrestricted and available for future use as directed by City Council and the City administration.

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In total, net assets of the City decreased by \$3.0 million. The governmental activities decreased by \$2.1 million and business-type activities decreased by \$0.9 million during 2011. The decrease in the governmental activities is due primarily to decreases in cash balances resulting from decreased revenues coupled with increased expenses reported for the year, as well as depreciation expense exceeding capital asset additions in the current year. The remainder of the decrease can be attributed to reductions in the amounts reported at December 31, 2011 for taxes and intergovernmental receivables compared with those reported for the prior year. The decrease in the business-type activities was due to decreases in capital asset balances resulting primarily from depreciation expense and disposals exceeding current year additions.

The following table provides a summary of the City's changes in net assets for 2011 as compared to 2010.

Table 2
Change in Net Assets, December 31,

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,277,095	7,115,864	9,392,959	2,804,215	7,021,015	9,825,230
Operating Grants and Contributions	1,780,630	-	1,780,630	1,347,802	-	1,347,802
Capital Grants and Contributions	-	914,743	914,743	163,604	751,031	914,635
General Revenues:						
Property Taxes	1,843,175	-	1,843,175	2,506,165	-	2,506,165
Municipal Income Taxes	3,817,945	-	3,817,945	4,191,767	-	4,191,767
Grants and Contributions not Restricted	2,070,647	-	2,070,647	1,302,629	-	1,302,629
Investment Income	13,453	11,558	25,011	32,412	27,769	60,181
Other Revenue	357,534	277,000	634,534	320,098	53,118	373,216
Total Revenue	<u>12,160,479</u>	<u>8,319,165</u>	<u>20,479,644</u>	<u>12,668,692</u>	<u>7,852,933</u>	<u>20,521,625</u>
Expenses:						
General Government	4,785,086	-	4,785,086	4,941,402	-	4,941,402
Security of Persons & Property	5,267,002	-	5,267,002	5,105,422	-	5,105,422
Public Health and Welfare Services	418,814	-	418,814	209,578	-	209,578
Leisure Time Activities	531,305	-	531,305	550,092	-	550,092
Transportation	2,688,603	-	2,688,603	2,597,350	-	2,597,350
Water	-	3,372,212	3,372,212	-	3,297,178	3,297,178
Sewer	-	3,931,627	3,931,627	-	3,205,057	3,205,057
Waste	-	2,111,253	2,111,253	-	2,004,705	2,004,705
Interest Expense	327,134	-	327,134	370,630	-	370,630
Total Expenses	<u>14,017,944</u>	<u>9,415,092</u>	<u>23,433,036</u>	<u>13,774,474</u>	<u>8,506,940</u>	<u>22,281,414</u>
Transfers	(163,604)	163,604	-	(13,650)	13,650	-
Increase (Decrease) in Net Assets	(2,021,069)	(932,323)	(2,953,392)	(1,119,432)	(640,357)	(1,759,789)
Net Assets, Beginning of Year	16,266,720	23,035,986	39,302,706	17,386,152	23,676,343	41,062,495
Net Assets, End of Year	<u>\$ 14,245,651</u>	<u>22,103,663</u>	<u>36,349,314</u>	<u>16,266,720</u>	<u>23,035,986</u>	<u>39,302,706</u>

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Governmental Activities

The three functions with the largest expenditures are Security of Persons and Property, General Government, and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$3.2 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 nearly \$1.0 million in property tax revenues, we see that approximately 21.4% of the net expense of \$4.5 million is paid by property tax revenues with the remaining 78.6% paid by income taxes, general subsidies and other general revenues. The third function, Transportation, covers the roads and streets of the City, which reported a net expense for 2011 of \$1.1 million due to the decrease in operating and capital grants received in the current year compared to the prior year. As indicated in Table 3, total governmental expenses increased by approximately \$240,000 over those reported in the prior year, which represents a 1.8% increase.

The \$5.7 million in income and property taxes reported for the year is \$1.0 million less than the amount reported for 2010 as the City continues to realize the impact of the economic downturn in recent years.

Business-Type Activities

Overall, the City's business-type activities generated \$8.3 million of revenues, which fell short of the cost of doing business by \$0.9 million. In the current year, the Water Fund, Sewer Fund and Waste Fund reported decreases in net assets of \$671,262, \$196,213 and \$64,848, respectively.

Table 3
Total and Cost of Program Services

	2011		2010	
	<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	\$ 4,785,086	(3,242,754)	4,941,402	(3,333,833)
Security of Persons & Property	5,267,002	(4,502,172)	5,105,422	(3,908,590)
Public Health & Welfare Services	418,814	(281,807)	209,578	(190,455)
Leisure Time Activities	531,305	(531,305)	550,092	(550,092)
Transportation	2,688,603	(1,075,047)	2,597,350	(1,105,253)
Interest Expense	327,134	(327,134)	370,630	(370,630)
Total	<u>\$ 14,017,944</u>	<u>(9,960,219)</u>	<u>13,774,474</u>	<u>(9,458,853)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 3,372,212	(699,772)	3,297,178	(626,744)
Sewer	3,931,627	(579,751)	3,205,057	(34,425)
Waste	2,111,253	(104,962)	2,004,705	(73,725)
Total	<u>\$ 9,415,092</u>	<u>(1,384,485)</u>	<u>8,506,940</u>	<u>(734,894)</u>

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

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Unaudited

THE CITY'S FUNDS

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$5.0 million, of which \$2.5 million is unassigned. The total governmental funds balance of all governmental funds decreased by \$1.5 million during 2011.

The General Fund balance decreased by \$1.5 million; nearly \$0.9 million more than the decrease in fund balance reported for 2010. Total revenues reported for 2011 were \$0.6 million less than those of the prior year due primarily to the decreases reported in income and property tax as well as fees, fines and forfeitures revenue accounts. Both of these decreases can be attributed to the struggling local economy in recent years. Total expenditures reported by the General Fund increased by \$0.4 million over those reported for 2010; an increase of just under 9%.

The fund balance reported in the Police Fund increased by \$31,539 from the balance reported one year prior.

Total governmental fund revenues showed a decrease from 2010 of \$0.1 million or 1.1%. The largest decrease in revenues was related to property taxes. As the City continued to deal with the fallout from the economic downturn over the past few years, property tax revenues decreased correspondingly.

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

General Fund Budgeting Highlights

The General Fund's final budgeted revenues were \$9.9 million while actual revenues exceeded this amount by \$87,974 for the year. The revenue estimates included in the City's final budget documents were \$1.4 million lower than original budget amounts due to tax receipts and amounts received for charges for services received during the year, falling short of estimates used in the development of the original budget.

Final budgeted amounts for expenditures and other financing uses were \$12.3 million while actual budgetary expenditures and other financing uses amounted to \$10.9 million. As the City continues to realize decreasing revenue sources, 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, 2011 was \$2.9 million; a \$0.9 million decrease from the amount reported one year prior. The ending budgetary fund balance amount at year end represents 27% of the total budgetary expenditures and transfers out reported for 2011.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,569,198	2,514,322	5,083,520	2,569,198	2,514,322	5,083,520
Infrastructure	3,538,413	-	3,538,413	3,538,413	-	3,538,413
Buildings	8,871,491	19,501,091	28,372,582	8,871,491	19,501,091	28,372,582
Improvements	528,287	28,029,061	28,557,348	528,287	26,423,350	26,951,637
Equipment	3,103,845	7,595,671	10,699,516	3,104,823	7,607,249	10,712,072
Vehicles	6,471,338	1,325,770	7,797,108	7,172,317	1,426,037	8,598,354
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Construction in Progress	-	-	-	163,604	1,245,640	1,409,244
Less:						
Accumulated Depreciation	(9,228,549)	(23,637,275)	(32,865,824)	(9,362,492)	(22,251,656)	(31,614,148)
Totals	\$ 15,879,076	35,328,640	51,207,716	16,610,694	36,466,033	53,076,727

The City's investment in capital assets for governmental and business-type activities as of December 31, 2011, amounts to \$51.2 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 \$1.9 million or 3.5%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of \$0.7 million. Depreciation expense for the year totaled \$779,776. Capital assets, net of accumulated depreciation in the business-type activities decreased \$1.1 million as a result of the depreciation expense recognized exceeding the cost of assets acquired during the year. See Note 7 to the basic financial statements for additional details on capital assets.

Debt Administration

At December 31, 2011, the City had total bonded debt in the amount of \$19.3 million, of which \$1.0 million is due within one year. Of the total bonded debt amount, \$4.8 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$14.5 million being mortgage revenue bonds for waterworks improvements and sewer bond refunding. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$95,117.

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

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

CITY OF WILMINGTON, OHIO
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CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 5,271,581	\$ 4,919,293	\$ 10,190,874
Receivables			
Taxes	3,040,797	-	3,040,797
Accounts	118,525	684,881	803,406
Loans Receivable	369,180	-	369,180
Accrued Interest	2	-	2
Due from Other Governments	515,900	-	515,900
Interfund Balance	(51,602)	51,602	-
Restricted Assets:			
Cash and Cash Equivalents	-	1,544,932	1,544,932
Unamortized Bond Issue Costs	-	400,997	400,997
Capital Assets:			
Capital Assets not subject to depreciation			
Land	2,569,198	2,514,322	5,083,520
Capital Assets, net of accumulated depreciation	<u>13,309,878</u>	<u>32,814,318</u>	<u>46,124,196</u>
 Total Assets	 <u>25,143,459</u>	 <u>42,930,345</u>	 <u>68,073,804</u>
LIABILITIES:			
Accounts Payable	458,491	221,518	680,009
Accrued Wages and Benefits	424,268	113,953	538,221
Insurance Claims Payable	326,200	-	326,200
Accrued Interest Payable	121,784	86,615	208,399
Contracts Payable	-	302,347	302,347
Unearned Revenue	1,763,346	-	1,763,346
Bond Anticipation Notes Payable	602,500	500,000	1,102,500
Noncurrent Liabilities:			
Due Within One Year	609,320	877,845	1,487,165
Due In More than One Year	<u>6,591,899</u>	<u>18,724,404</u>	<u>25,316,303</u>
 Total Liabilities	 <u>10,897,808</u>	 <u>20,826,682</u>	 <u>31,724,490</u>
NET ASSETS:			
Invested in Capital Assets, Net of Debt	10,149,040	19,804,958	29,953,998
Restricted for:			
Debt Service	160,776	-	160,776
Utility Debt Service	-	1,544,932	1,544,932
Social Services	94,651	-	94,651
Public Safety	682,164	-	682,164
Road Construction / Public Works	718,763	-	718,763
Leisure Activities	10,373	-	10,373
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>2,394,884</u>	<u>753,773</u>	<u>3,148,657</u>
 Total Net Assets	 <u>\$ 14,245,651</u>	 <u>\$ 22,103,663</u>	 <u>\$ 36,349,314</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
General Government	\$ 4,785,086	\$ 1,334,261	\$ 208,071	\$ -	\$ (3,242,754)	\$ -	\$ (3,242,754)
Security of Persons & Property	5,267,002	630,770	134,060	-	(4,502,172)	-	(4,502,172)
Public Health & Welfare Services	418,814	10,489	126,518	-	(281,807)	-	(281,807)
Leisure Time Activities	531,305	-	-	-	(531,305)	-	(531,305)
Transportation	2,688,603	301,575	1,311,981	-	(1,075,047)	-	(1,075,047)
Interest Expense	327,134	-	-	-	(327,134)	-	(327,134)
Total Governmental Activities	14,017,944	2,277,095	1,780,630	-	(9,960,219)	-	(9,960,219)
Business-Type Activities:							
Water	3,372,212	2,672,440	-	-	(699,772)	(699,772)	(699,772)
Sewer	3,931,627	2,477,256	-	874,620	(579,751)	(579,751)	(579,751)
Waste	2,111,253	1,966,168	-	40,123	(104,962)	(104,962)	(104,962)
Total Business-Type Activities	9,415,092	7,115,864	-	914,743	(1,384,485)	(1,384,485)	(1,384,485)
Total	\$ 23,433,036	\$ 9,392,959	\$ 1,780,630	\$ 914,743	(9,960,219)	(1,384,485)	(11,344,704)
General Revenues:							
Municipal Income Taxes, Levied for:							
General Purposes					3,817,945	-	3,817,945
Property Taxes Levied for:							
General Purposes					394,182	-	394,182
Security of Persons & Property					963,992	-	963,992
Street Lighting					219,150	-	219,150
Leisure Time Activities					265,851	-	265,851
Grants and Contributions not Restricted to Specific Programs					2,070,647	-	2,070,647
Investment Earnings					13,453	11,558	25,011
Miscellaneous					357,534	277,000	634,534
Total General Revenues					8,102,754	288,558	8,391,312
Transfers					(163,604)	163,604	-
Total General Revenues and Transfers					7,939,150	452,162	8,391,312
Change in Net Assets					(2,021,069)	(932,323)	(2,953,392)
Net Assets, Beginning of Year					16,266,720	23,035,986	39,302,706
Net Assets, End of Year					\$ 14,245,651	\$ 22,103,663	\$ 36,349,314

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,051,029	\$ 23,854	\$ 2,196,698	\$ 5,271,581
Receivables:				
Taxes	1,597,022	299,518	1,144,257	3,040,797
Accounts	86,248	3,416	28,861	118,525
Loans Receivable	-	-	369,180	369,180
Accrued Interest	2	-	-	2
Due from Other Funds	-	28,361	42,709	71,070
Due from Other Governments	<u>238,781</u>	<u>6,926</u>	<u>270,193</u>	<u>515,900</u>
 Total Assets	 <u>\$ 4,973,082</u>	 <u>\$ 362,075</u>	 <u>\$ 4,051,898</u>	 <u>\$ 9,387,055</u>
LIABILITIES:				
Accounts Payable	\$ 139,472	\$ 6,871	\$ 312,148	\$ 458,491
Accrued Wages and Benefits	105,016	54,104	265,148	424,268
Insurance Claims Payable	326,200	-	-	326,200
Due to Other Funds	122,672	-	-	122,672
Deferred Revenue	921,870	306,444	1,261,528	2,489,842
Bond Anticipation Notes Payable	<u>-</u>	<u>-</u>	<u>602,500</u>	<u>602,500</u>
 Total Liabilities	 <u>1,615,230</u>	 <u>367,419</u>	 <u>2,441,324</u>	 <u>4,423,973</u>
FUND BALANCES:				
Nonspendable - Endowment Corpus	-	-	35,000	35,000
Restricted for:				
Debt Service	-	-	160,776	160,776
Social Services	-	-	94,651	94,651
Public Safety	-	-	620,251	620,251
Road Construction / Public Works	-	-	521,126	521,126
Leisure Activities	-	-	10,373	10,373
Committed to:				
Social Services	-	-	889,498	889,498
Leisure Activities	-	-	4,129	4,129
Assigned to:				
Other Purposes	172,661	-	-	172,661
Unassigned	<u>3,185,191</u>	<u>(5,344)</u>	<u>(725,230)</u>	<u>2,454,617</u>
 Total Fund Balances (Deficit)	 <u>3,357,852</u>	 <u>(5,344)</u>	 <u>1,610,574</u>	 <u>4,963,082</u>
Total Liabilities and Fund Balances	<u>\$ 4,973,082</u>	<u>\$ 362,075</u>	<u>\$ 4,051,898</u>	<u>\$ 9,387,055</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2011

Total Governmental Fund Balances \$ 4,963,082

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,879,076

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 726,496

Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:

Note Payable	(1,221,332)
Capital Lease Payable	(347,536)
Accrued Interest on Long-Term Debt	(121,784)
Police and Fire Pension Obligations	(95,117)
General Obligation Bonds Payable	(4,780,000)
Compensated Absences	<u>(757,234)</u>

Net Assets of Governmental Activities \$ 14,245,651

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, 2011

	General Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES;				
Property Taxes	\$ 387,049	\$ 248,070	\$ 1,037,402	\$ 1,672,521
Municipal Income Taxes	4,050,378	-	-	4,050,378
Intergovernmental	1,035,311	56,689	2,697,740	3,789,740
Charges for Services	1,069,147	-	291,334	1,360,481
Licenses and Permits	36,671	-	-	36,671
Fees, Fines and Forfeitures	590,010	9,642	210,229	809,881
Special Assessments	77,335	-	219,150	296,485
Investment Income	13,163	-	290	13,453
Other Revenue	230,591	46,498	80,445	357,534
	<u>7,489,655</u>	<u>360,899</u>	<u>4,536,590</u>	<u>12,387,144</u>
Total Revenues				
EXPENDITURES:				
Current:				
General Government	4,461,522	-	101,471	4,562,993
Security of Persons & Property	19,703	2,172,688	2,522,419	4,714,810
Transportation	-	-	2,426,466	2,426,466
Public Health & Welfare Services	-	-	418,814	418,814
Leisure Time Activities	-	-	491,168	491,168
Capital Outlay	39,527	80,495	91,740	211,762
Debt Service:				
Principal	64,905	-	447,640	512,545
Interest	63,982	-	271,213	335,195
	<u>4,649,639</u>	<u>2,253,183</u>	<u>6,957,342</u>	<u>13,860,164</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>2,840,016</u>	<u>(1,892,284)</u>	<u>(2,420,752)</u>	<u>(1,473,020)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	1,923,823	2,394,804	4,318,627
Transfers Out	<u>(4,318,627)</u>	<u>-</u>	<u>-</u>	<u>(4,318,627)</u>
Total Other Financing Sources (Uses):	<u>(4,318,627)</u>	<u>1,923,823</u>	<u>2,394,804</u>	<u>-</u>
Net Change in Fund Balance	(1,478,611)	31,539	(25,948)	(1,473,020)
Fund Balance (Deficit), Beginning of Year (restated)	<u>4,836,463</u>	<u>(36,883)</u>	<u>1,636,522</u>	<u>6,436,102</u>
Fund Balance (Deficit), End of Year	<u>\$ 3,357,852</u>	<u>\$ (5,344)</u>	<u>\$ 1,610,574</u>	<u>\$ 4,963,082</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, 2011

Total Change in Fund Balances - Governmental Funds \$ (1,473,020)

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

Governmental fund report capital outlays as expenditures.

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

Capital Asset Additions	211,762
Capital Contribution to Enterprise Funds	(163,604)
Depreciation	(779,776)

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

Property Taxes	39,012
Income Taxes	(232,433)
Intergovernmental Revenue	(33,244)

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

512,545

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

Compensated Absences	(110,372)
Accrued Interest Payable	<u>8,061</u>

Change in Net Assets of Governmental Activities \$ (2,021,069)

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Proprietary Funds
December 31, 2011

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,780,743	\$ 2,402,555	\$ 735,995	\$ 4,919,293
Receivables				
Accounts	235,337	231,722	217,822	684,881
Due from Other Funds	17,919	18,413	15,270	51,602
Restricted Assets:				
Cash and Cash Equivalents	<u>442,034</u>	<u>1,102,898</u>	<u>-</u>	<u>1,544,932</u>
Total Current Assets	<u>2,476,033</u>	<u>3,755,588</u>	<u>969,087</u>	<u>7,200,708</u>
Noncurrent Assets:				
Unamortized Bond Issue Costs	400,997	-	-	400,997
Land	742,972	1,057,709	713,641	2,514,322
Capital Assets, net of accumulated depreciation	<u>19,529,794</u>	<u>11,825,422</u>	<u>1,459,102</u>	<u>32,814,318</u>
Total Noncurrent Assets	<u>20,673,763</u>	<u>12,883,131</u>	<u>2,172,743</u>	<u>35,729,637</u>
Total Assets	<u>\$ 23,149,796</u>	<u>\$ 16,638,719</u>	<u>\$ 3,141,830</u>	<u>\$ 42,930,345</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 62,695	\$ 83,208	\$ 75,615	\$ 221,518
Accrued Wages and Benefits	40,147	41,252	32,554	113,953
Accrued Compensated Absences	61,024	96,958	37,412	195,394
Accrued Interest Payable	24,075	55,457	7,083	86,615
Contracts Payable	-	302,347	-	302,347
Bond Anticipation Notes Payable	-	-	500,000	500,000
Long-Term Notes Payable - current	-	42,979	-	42,979
Capital Lease Payable - current	-	-	44,472	44,472
Mortgage Revenue Bonds Payable - current	<u>400,000</u>	<u>195,000</u>	<u>-</u>	<u>595,000</u>
Total Current Liabilities	<u>587,941</u>	<u>817,201</u>	<u>697,136</u>	<u>2,102,278</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	60,353	95,892	37,000	193,245
Postclosure Care	-	-	3,689,928	3,689,928
Notes Payable	-	1,168,993	-	1,168,993
Capital Lease Payable	-	-	45,584	45,584
Mortgage Revenue Bonds Payable	12,565,000	1,400,000	-	13,965,000
Accrued Bond Premium	34,148	-	-	34,148
Deferred Amount on Refunding	<u>(372,494)</u>	<u>-</u>	<u>-</u>	<u>(372,494)</u>
Total Noncurrent Liabilities	<u>12,287,007</u>	<u>2,664,885</u>	<u>3,772,512</u>	<u>18,724,404</u>
Total Liabilities	<u>12,874,948</u>	<u>3,482,086</u>	<u>4,469,648</u>	<u>20,826,682</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	7,646,112	10,076,159	2,082,687	19,804,958
Restricted for:				
Utility Debt Service	442,034	1,102,898	-	1,544,932
Unrestricted	<u>2,186,702</u>	<u>1,977,576</u>	<u>(3,410,505)</u>	<u>753,773</u>
Total Net Assets	<u>10,274,848</u>	<u>13,156,633</u>	<u>(1,327,818)</u>	<u>22,103,663</u>
Total Liabilities and Net Assets	<u>\$ 23,149,796</u>	<u>\$ 16,638,719</u>	<u>\$ 3,141,830</u>	<u>\$ 42,930,345</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,672,440	\$ 2,477,256	\$ 1,966,168	\$ 7,115,864
Other Revenue	<u>23,241</u>	<u>213,645</u>	<u>40,114</u>	<u>277,000</u>
Total Operating Revenues	<u>2,695,681</u>	<u>2,690,901</u>	<u>2,006,282</u>	<u>7,392,864</u>
OPERATING EXPENSES:				
Personal Services	1,053,002	1,132,082	1,010,801	3,195,885
Contractual Services	826,797	1,088,430	486,389	2,401,616
Materials and Supplies	210,222	645,165	132,335	987,722
Depreciation	678,961	904,059	376,627	1,959,647
Closure and Postclosure Care	-	-	74,237	74,237
Other Expenses	<u>-</u>	<u>-</u>	<u>10,132</u>	<u>10,132</u>
Total Operating Expenses	<u>2,768,982</u>	<u>3,769,736</u>	<u>2,090,521</u>	<u>8,629,239</u>
Operating Loss	<u>(73,301)</u>	<u>(1,078,835)</u>	<u>(84,239)</u>	<u>(1,236,375)</u>
NON-OPERATING REVENUE (EXPENSES):				
Intergovernmental	-	874,620	40,123	914,743
Investment Income	5,269	6,289	-	11,558
Interest and Fiscal Charges	<u>(603,230)</u>	<u>(161,891)</u>	<u>(20,732)</u>	<u>(785,853)</u>
Total Non-Operating Revenues (Expenses)	<u>(597,961)</u>	<u>719,018</u>	<u>19,391</u>	<u>140,448</u>
Income before Contributed Capital	(671,262)	(359,817)	(64,848)	(1,095,927)
Contributed Capital	<u>-</u>	<u>163,604</u>	<u>-</u>	<u>163,604</u>
Change in Net Assets	(671,262)	(196,213)	(64,848)	(932,323)
Net Assets, Beginning of Year	<u>10,946,110</u>	<u>13,352,846</u>	<u>(1,262,970)</u>	<u>23,035,986</u>
Net Assets, End of Year	<u>\$ 10,274,848</u>	<u>\$ 13,156,633</u>	<u>\$ (1,327,818)</u>	<u>\$ 22,103,663</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 2,686,484	\$ 2,480,780	\$ 1,966,073	\$ 7,133,337
Cash Paid for Employees Salaries and Benefits	(1,054,286)	(1,121,409)	(1,014,090)	(3,189,785)
Cash Paid to Suppliers	(1,037,178)	(1,418,064)	(593,380)	(3,048,622)
Other Operating Revenues	23,241	204,325	40,969	268,535
	<u>618,261</u>	<u>145,632</u>	<u>399,572</u>	<u>1,163,465</u>
Net Cash Provided by Operating Activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grants	-	874,620	40,123	914,743
Proceeds from Notes	-	-	500,000	500,000
Capital Expenditures	(27,503)	(494,147)	(137,000)	(658,650)
Principal on General Obligation BAN	-	-	(600,000)	(600,000)
Principal on Mortgage Revenue Bonds	(365,000)	(185,000)	-	(550,000)
Principal on Note Payable	-	(33,668)	-	(33,668)
Principal on Capital Lease	-	-	(42,944)	(42,944)
Interest Paid	(547,805)	(140,530)	(21,989)	(710,324)
	<u>(940,308)</u>	<u>21,275</u>	<u>(261,810)</u>	<u>(1,180,843)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	5,290	6,314	-	11,604
	<u>5,290</u>	<u>6,314</u>	<u>-</u>	<u>11,604</u>
Increase (Decrease) in Cash and Cash Equivalents	(316,757)	173,221	137,762	(5,774)
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	2,539,534	3,332,232	598,233	6,469,999
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 2,222,777</u>	<u>\$ 3,505,453</u>	<u>\$ 735,995</u>	<u>\$ 6,464,225</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Balance Sheet	\$ 1,780,743	\$ 2,402,555	\$ 735,995	\$ 4,919,293
Plus: Restricted Cash and Cash Equivalents	442,034	1,102,898	-	1,544,932
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 2,222,777</u>	<u>\$ 3,505,453</u>	<u>\$ 735,995</u>	<u>\$ 6,464,225</u>

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Loss	\$ (73,301)	\$ (1,078,835)	\$ (84,239)	\$ (1,236,375)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	678,961	904,059	376,627	1,959,647
Landfill Closure and Postclosure Costs	-	-	74,237	74,237
Changes in Assets and Liabilities:				
Accounts Receivable	14,044	(5,796)	1,326	9,574
Due from Other Funds	(17,919)	(18,413)	(15,270)	(51,602)
Accounts Payable	3,049	17,176	28,245	48,470
Contracts Payable	-	302,347	-	302,347
Accrued Wages & Benefits	5,002	6,122	3,614	14,738
Due to Other Funds	(14,713)	(12,974)	(11,464)	(39,151)
Accrued Compensated Absences	23,138	31,946	26,496	81,580
Net Cash Provided by Operating Activities	<u>\$ 618,261</u>	<u>\$ 145,632</u>	<u>\$ 399,572</u>	<u>\$ 1,163,465</u>

Noncash Item:

Capital assets of \$163,604 contributed from governmental funds reported in sewer fund.

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2011

ASSETS:

Equity in Pooled Cash and Cash Equivalents	\$ 50,423
Total Assets	<u>\$ 50,423</u>

LIABILITIES:

Undistributed Monies	\$ 50,423
Total Liabilities	<u>\$ 50,423</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-exchange Transaction

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

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

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

Unearned/Deferred Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance 2012 operations, have been recorded as unearned revenues in the statement of net assets. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenses/Expenditures

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes. During fiscal year 2011, investments were limited to U.S. treasury notes. Investments are reported at fair market value, which is based on quoted market prices. See Note 4, Deposits and Investments. For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

Capital Assets

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. At December 31, 2011, there were no accrued compensated absences that were recognized in the fund financial statements. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

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

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents, as well as investments, set aside in separate depository accounts for the repayment of revenue mortgage debt.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

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.

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.

Assigned – resources that are intended to be used for specific purposes as approved through the City's formal purchasing procedure by the City Auditor.

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated in the Statement of Activities.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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.

NOTE 3 – ACCOUNTABILITY

At December 31, 2011 the following individual funds reported deficit fund balances: Police, Permissive Tax, Taxi, Lodging Excise Tax, Police Pension, Fire, Fire Pension and Emergency Ambulance Special Revenue Funds and Waste Proprietary Fund. The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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 \$10,969,628 and the bank balance was \$11,205,437. Of the bank balance, \$3,720,437 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, \$7,485,000 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City’s name.

Investments

The City’s investments at December 31, 2011 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
US Treasury/Equivalents	\$ 816,601	N/A	\$ 816,601	\$ -	\$ -
Total Investments	\$ 816,601		\$ 816,601	\$ -	\$ -

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per Financial Statements	\$ 11,786,229	-
Investments:		
US Treasury/Equivalents	<u>(816,601)</u>	<u>816,601</u>
Per Footnote	<u>\$ 10,969,628</u>	<u>816,601</u>

NOTE 5 – RECEIVABLES

Receivables at December 31, 2011 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

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

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

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 5 – RECEIVABLES (Continued)

The full tax rate of for all City operations for the year ended December 31, 2011 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$	219,634,090
Public Utility Tangible Personal Property Assessed Valuation		<u>4,929,830</u>
Total	\$	<u>224,563,920</u>

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

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, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

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

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

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>		
Local government assistance	\$	226,996
Homestead/Rollback		44,390
Gasoline tax		226,176
Motor vehicle license fees		<u>18,338</u>
Total	\$	<u>515,900</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 6 - INTERFUND ACTIVITY

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer To	<u>Transfer From</u>
	General Fund
Police Fund	\$ 1,923,823
Nonmajor Governmental Funds	<u>2,394,804</u>
 Total	 <u>\$ 4,318,627</u>

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

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 exceeded the current year claims expense plus the year-end accrual for claims payable. A summary of the interfund due to and due from amounts as of December 31, 2011 is below:

Due To	<u>Due From</u>
	General Fund
Police Fund	\$ 28,361
Water Fund	17,919
Sewer Fund	18,413
Waste Fund	15,270
Nonmajor Governmental Funds	<u>42,709</u>
 Total	 <u>\$ 122,672</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 7 – CAPITAL ASSETS

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

	Balance 12/31/2010	<u>Additions</u>	<u>Deletions</u>	Balance 12/31/2011
<u>Governmental Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 2,569,198	-	-	2,569,198
Construction in Progress	163,604	-	(163,604)	-
Non-depreciable capital assets	<u>2,732,802</u>	<u>-</u>	<u>(163,604)</u>	<u>2,569,198</u>
Depreciable capital assets:				
Buildings	8,871,491	-	-	8,871,491
Improvements	528,287	-	-	528,287
Equipment	3,104,823	117,525	(118,503)	3,103,845
Vehicles	7,172,317	94,237	(795,216)	6,471,338
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	3,538,413	-	-	3,538,413
Depreciable capital assets	<u>23,240,384</u>	<u>211,762</u>	<u>(913,719)</u>	<u>22,538,427</u>
Less: accumulated depreciation				
Buildings	(2,140,911)	(187,969)	-	(2,328,880)
Improvements	(169,452)	(24,438)	-	(193,890)
Equipment	(2,647,513)	(138,141)	118,503	(2,667,151)
Vehicles	(4,089,042)	(359,474)	795,216	(3,653,300)
Furniture & Fixtures	(25,052)	(1)	-	(25,053)
Infrastructure	(290,522)	(69,753)	-	(360,275)
Accumulated depreciation	<u>(9,362,492)</u>	<u>(779,776) *</u>	<u>913,719</u>	<u>(9,228,549)</u>
Depreciable capital assets, net	<u>13,877,892</u>	<u>(568,014)</u>	<u>-</u>	<u>13,309,878</u>
Governmental activities capital assets, net	<u>\$ 16,610,694</u>	<u>(568,014)</u>	<u>(163,604)</u>	<u>15,879,076</u>

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

General Government	\$ 105,203
Security of Persons & Property	388,560
Leisure Time Activities	35,555
Transportation	<u>250,458</u>
	<u>\$ 779,776</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 7 – CAPITAL ASSETS (Continued)

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 2,514,322	-	-	2,514,322
Construction in Progress	1,245,640	196,466	(1,442,106)	-
Non-depreciable capital assets	<u>3,759,962</u>	<u>196,466</u>	<u>(1,442,106)</u>	<u>2,514,322</u>
Depreciable capital assets:				
Buildings	19,501,091	-	-	19,501,091
Improvements	26,423,350	1,605,711	-	28,029,061
Equipment	7,607,249	392,019	(403,597)	7,595,671
Vehicles	1,426,037	70,164	(170,431)	1,325,770
Depreciable capital assets	<u>54,957,727</u>	<u>2,067,894</u>	<u>(574,028)</u>	<u>56,451,593</u>
Less: accumulated depreciation				
Buildings	(3,687,426)	(431,004)	-	(4,118,430)
Improvements	(12,669,448)	(1,184,390)	-	(13,853,838)
Equipment	(4,635,689)	(282,364)	403,597	(4,514,456)
Vehicles	(1,259,093)	(61,889)	170,431	(1,150,551)
Accumulated depreciation	<u>(22,251,656)</u>	<u>(1,959,647)</u>	<u>574,028</u>	<u>(23,637,275)</u>
Depreciable capital assets, net	<u>32,706,071</u>	<u>108,247</u>	<u>-</u>	<u>32,814,318</u>
Business-Type activities capital assets, net	<u>\$ 36,466,033</u>	<u>304,713</u>	<u>(1,442,106)</u>	<u>35,328,640</u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City of Wilmington participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. The employer contribution rate for 2011 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010 and 2009 were \$803,556, \$796,830 and \$825,718, respectively; 89 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee deferred benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's required contributions to OP&F for police and firefighters were \$507,194 for the year ended December 31, 2011, \$492,748 for 2010 and \$515,458 for 2009; 72 percent has been contributed for 2011. The full amount has been contributed for 2010 and 2009.

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.0% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2011, the employer contribution allocated to the health care plan was 4.0% of covered payroll during calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2011, 2010 and 2009, which were used to fund post employment benefits were \$229,576, \$290,123 and \$347,624, respectively. The actual contribution and the actuarially required contribution amounts are the same.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2011, 2010 and 2009 that were used to fund post employment benefits were \$159,680, \$154,633 and \$161,196 for police and firefighters, respectively.

NOTE 10 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to three-fourths the number of hours of such accumulated sick leave in "Sick Leave Bank I" and one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2011, the estimated total absences payable of the City was \$1,145,873.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 11 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2011 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds Payable	\$ 5,190,000	\$ -	\$ 410,000	\$ 4,780,000	\$ 420,000
Note Payable	1,286,237	-	64,905	1,221,332	68,086
Capital Leases Payable	382,847	-	35,311	347,536	43,082
Compensated Absences	646,862	169,232	58,860	757,234	75,723
Police and Fire Pension	97,446	-	2,329	95,117	2,429
Total Governmental Activities	<u>\$ 7,603,392</u>	<u>\$ 169,232</u>	<u>\$ 571,405</u>	<u>\$ 7,201,219</u>	<u>\$ 609,320</u>
<i>Business-Type Activities:</i>					
Mortgage Revenue Bonds Payable	\$ 15,110,000	\$ -	\$ 550,000	\$ 14,560,000	\$ 595,000
Accrued Bond Premium	37,563	-	3,415	34,148	-
Less: Deferred Amounts					
Deferred Amount on Refunding	(399,198)	-	(26,704)	(372,494)	-
Total Mortgage Revenue Bonds	14,748,365	-	526,711	14,221,654	595,000
Note Payable	1,245,640	-	33,668	1,211,972	42,979
Capital Lease Payable	133,000	-	42,944	90,056	44,472
Estimated Liability for Landfill					
Closure and Postclosure Care	3,615,691	74,237	-	3,689,928	-
Compensated Absences	307,059	195,395	113,815	388,639	195,394
Total Business-Type Activities	<u>\$ 20,049,755</u>	<u>\$ 269,632</u>	<u>\$ 717,138</u>	<u>\$ 19,602,249</u>	<u>\$ 877,845</u>

General Obligation Bonds

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

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

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2003	Municipal Building Refunding	2.0% to 5.8%	\$ 3,020,000	\$ 1,900,000
2003	Fire Department	2.0% to 5.8%	4,000,000	2,515,000
2007	Fire Truck Acquisition	4.25%	605,000	365,000
			<u>\$ 7,625,000</u>	<u>\$ 4,780,000</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds (Continued)

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

Year Ending December 31	Principal	Interest	Total
2012	\$ 420,000	\$ 212,731	\$ 632,731
2013	430,000	197,760	627,760
2014	445,000	182,075	627,075
2015	465,000	159,195	624,195
2016	485,000	131,155	616,155
2017-2021	2,535,000	317,580	2,852,580
Total	<u>\$ 4,780,000</u>	<u>\$ 1,200,496</u>	<u>\$ 5,980,496</u>

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2011 are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
1996	Sewer System Improvements	3.3% to 5.3%	\$ 3,645,000	\$ 1,595,000
2005	Water Works Improvements	3.9% to 6.0%	5,525,000	3,835,000
2007	Water Works Improvements	4.0% to 4.25%	9,330,000	9,130,000
			<u>\$ 18,500,000</u>	<u>\$ 14,560,000</u>

The City has pledged future water and sewer revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water and sewer revenues. Total principal and interest paid during 2011 for the Water mortgage revenue bonds was \$912,805 compared with net revenue of \$605,660. Total principal and interest paid during the year for the Sewer mortgage revenue bonds was \$325,529 and net expense was \$174,776. Although the current revenue, net of specified operating expenses was not enough to cover the mortgage bond revenue repayments for the sewer fund in the current year, the beginning cash balance in that fund was sufficient to cover them.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

Mortgage Revenue Bonds (Continued)

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

Year Ending December 31	Principal	Interest	Total
2012	\$ 595,000	\$ 613,970	\$ 1,208,970
2013	615,000	589,426	1,204,426
2014	635,000	563,498	1,198,498
2015	660,000	536,051	1,196,051
2016	695,000	506,841	1,201,841
2017-2021	3,735,000	2,056,441	5,791,441
2022-2026	4,450,000	1,202,709	5,652,709
2027-2029	3,175,000	218,588	3,393,588
Total	<u>\$ 14,560,000</u>	<u>\$ 6,287,524</u>	<u>\$ 20,847,524</u>

OWDA Loan Payable

The City had a long-term loan outstanding with the Ohio Water Development Authority (OWDA). This loan was used to finance improvements of the City's sewer system infrastructure. The following is 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
2012	\$ 42,979	\$ 60,800	\$ 103,779
2013	44,781	57,111	101,892
2014	46,659	53,402	100,061
2015	48,615	49,502	98,117
2016	50,654	45,530	96,184
2017-2021	286,965	177,209	464,174
2022-2026	352,388	111,781	464,169
2027-2030	338,931	32,406	371,337
Total	<u>\$ 1,211,972</u>	<u>\$ 587,741</u>	<u>\$ 1,799,713</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

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
2012	\$ 2,429	\$ 4,016	\$ 6,445
2013	2,533	3,911	6,444
2014	2,642	3,803	6,445
2015	2,756	3,689	6,445
2016	2,874	3,571	6,445
2017-2021	16,331	15,893	32,224
2022-2026	20,179	12,045	32,224
2027-2031	24,868	7,355	32,223
2032-2035	20,505	1,761	22,266
Total	<u>\$ 95,117</u>	<u>\$ 56,044</u>	<u>\$ 151,161</u>

Energy Conservation Improvement Note

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

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

Year Ending December 31	Principal	Interest	Total
2012	\$ 68,086	\$ 60,800	\$ 128,886
2013	71,776	57,111	128,887
2014	75,484	53,402	128,886
2015	79,384	49,502	128,886
2016	83,357	45,530	128,887
2017-2021	486,645	157,788	644,433
2022-2024	356,600	30,060	386,660
Total	<u>\$ 1,221,332</u>	<u>\$ 454,193</u>	<u>\$ 1,675,525</u>

Capital Leases

The City has an active capital lease with Kansas State Bank for a fire truck that is recorded in governmental activities. The lease period was for ten years with annual principal and interest payments. The asset was capitalized for \$461,117.

The City has an active capital lease with Caterpillar Financial Services Corporation for a track loader that is recorded in business-type activities. The lease period was for three years with annual principal and interest payments. The asset was capitalized for \$133,000.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

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

<u>Year Ending December 31</u>	<u>Fire Truck</u>	<u>Track Loader</u>
2012	\$ 57,135	\$ 47,283
2013	57,135	47,283
2014	57,135	
2015	57,135	-
2016	57,135	-
2017-2018	<u>114,270</u>	<u>-</u>
Total Minimum Lease Payments	399,945	94,566
Less: Amount Representing Interest	<u>(52,409)</u>	<u>(4,510)</u>
Present Value of Minimum Lease Payments	<u>\$ 347,536</u>	<u>\$ 90,056</u>

NOTE 12 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2011 follows:

	<u>Amount Outstanding 12/31/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2011</u>
<u>Governmental Activities:</u>				
2.95% - 2010 Various Purpose General Obligation BAN	\$ 615,000	\$ -	\$ 615,000	\$ -
1.49% - 2011 Various Purpose General Obligation BAN	<u>-</u>	<u>602,500</u>	<u>-</u>	<u>602,500</u>
Total Governmental Activities	<u>\$ 615,000</u>	<u>\$ 602,500</u>	<u>\$ 615,000</u>	<u>\$ 602,500</u>
	<u>Amount Outstanding 12/31/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2011</u>
<u>Business-Type Activities:</u>				
2.95% - 2010 Various Purpose General Obligation BAN	\$ 600,000	\$ -	\$ 600,000	\$ -
1.49% - 2011 Various Purpose General Obligation BAN	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Business-Type Activities	<u>\$ 600,000</u>	<u>\$ 500,000</u>	<u>\$ 600,000</u>	<u>\$ 500,000</u>

On July 21, 2011, the City issued a \$1,102,500 1.49% Bond Anticipation Note (BAN) to refinance a previously issued BAN used to pay for a portion of the construction for Lowes Road and Davids Drive (\$602,500) and the construction for the landfill facility expansion (\$500,000), respectively. The 2011 BAN matures on July 20, 2012.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 13 – RISK MANAGEMENT

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2011, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The twenty-one participating cities and their respective pool contribution factors for the loss year ended December 31, 2011 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	8.06%	NAWA	0.14%
Bellbrook	1.19%	Piqua	3.94%
Blue Ash	10.25%	Sidney	4.59%
Centerville	3.48%	Springdale	5.45%
Englewood	2.11%	Tipp City	2.75%
Indian Hill	3.30%	Troy	6.17%
Kettering	7.28%	Vandalia	2.86%
Madeira	2.84%	West Carrollton	3.89%
Mason	11.65%	Wilmington	7.28%
Miamisburg	5.08%	Wyoming	2.63%
Montgomery	5.07%	Subtotal	<u>39.68%</u>
Subtotal	<u>60.32%</u>	Total	<u>100.00%</u>

The 2011 pool contribution from the City of Wilmington was \$372,344 representing 7.28% of the total collected from all members for that year's operating costs and projected loss reserves.

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 13 – RISK MANAGEMENT (Continued)

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

General Liability	\$ 10,000,000	per occurrence
Automobile	10,000,000	per occurrence
Police Professional Liability	10,000,000	per occurrence
Employment Practices & Public Officials Liability	10,000,000	Aggregate
Property	1,000,000,000	per occurrence
Flood (Zone specific)	25,000,000	per occurrence
Earthquake	25,000,000	per occurrence
Boiler & Machinery	100,000,000	per occurrence
Cyber Coverage	100,000,000	per occurrence
Pollution Liability	215,000,000	per occurrence

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence. The SIR for Boiler and Machinery is \$5,000. The SIR for Pollution Liability is \$100,000 - \$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, 2011.

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

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

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

Self-Insured Health Insurance

Beginning in 2009, the City provides health, 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 HCC Insurance Co. to cover loss in excess of \$55,000 per individual or \$1,872,153 in aggregate for the plan year ended March 31, 2012. The City expects that all claims will be settled within one year.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 13 – RISK MANAGEMENT (Continued)

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

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Current Year Claim Payments</u>	<u>Ending Balance</u>
2011	\$ 218,397	2,037,104	1,929,301	326,200
2010	\$ 345,547	2,037,565	2,164,715	218,397

NOTE 14 – CONTINGENT LIABILITIES

Litigation

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

Grants

For the period January 1, 2011 to December 31, 2011, 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 15 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST

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

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

The City is required by state and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The \$3,689,928 reported as landfill closure and post-closure care liability at December 31, 2011, 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 38% of the capacity gained by the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$3,809,533. 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 16 - COMMITMENTS

Encumbrances

At December 31, 2011, the City had the following amounts encumbered for purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 47,669
Police Fund	20,770
Non-major Governmental Funds	528,037
Total	\$ 596,476

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

During 2011, the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of this standard had the following effect on the fund balance of major and nonmajor funds previously reported.

	General Fund	Nonmajor Governmental Funds
Fund balance at December 31, 2010	\$ 4,600,077	\$ 1,872,908
Change in fund structure	236,386	(236,386)
Restated fund balance at January 1, 2011	\$ 4,836,463	\$ 1,636,522

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 5,133,805	4,640,206	4,673,757	33,551
Special Assessments	84,947	77,335	77,335	-
Licenses and Permits	40,281	36,181	36,671	490
Intergovernmental	1,169,370	1,064,581	1,064,581	-
Charges for Services	1,179,240	1,030,599	1,073,567	42,968
Investment Income	13,971	12,688	12,719	31
Fees, Fines and Forfeitures	646,763	588,561	588,806	245
Other Revenue	<u>3,009,102</u>	<u>2,424,953</u>	<u>2,435,642</u>	<u>10,689</u>
 Total Revenues	 <u>11,277,480</u>	 <u>9,875,104</u>	 <u>9,963,078</u>	 <u>87,974</u>
EXPENDITURES:				
Current:				
General Government	7,160,242	6,801,877	6,009,546	792,331
Security of Persons & Property	594,013	594,013	535,934	58,079
Capital Outlay	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
 Total Expenditures	 <u>7,754,255</u>	 <u>7,425,890</u>	 <u>6,575,480</u>	 <u>850,410</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>3,523,225</u>	 <u>2,449,214</u>	 <u>3,387,598</u>	 <u>938,384</u>
OTHER FINANCING SOURCES (USES):				
Transfers-Out	<u>(4,772,772)</u>	<u>(4,836,998)</u>	<u>(4,318,627)</u>	<u>518,371</u>
 Total Other Financing Sources (Uses)	 <u>(4,772,772)</u>	 <u>(4,836,998)</u>	 <u>(4,318,627)</u>	 <u>518,371</u>
 Net Change in Fund Balance	 (1,249,547)	 (2,387,784)	 (931,029)	 1,456,755
Fund Balance, Beginning of Year	3,838,625	3,838,625	3,838,625	-
Prior Year Encumbrances Appropriated	<u>27,310</u>	<u>27,310</u>	<u>27,310</u>	<u>-</u>
 Fund Balances, End of Year	 \$ <u>2,616,388</u>	 <u>1,478,151</u>	 <u>2,934,906</u>	 <u>1,456,755</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 319,533	311,168	311,168	-
Fees, Fines and Forfeitures	9,994	9,587	9,732	145
Other Revenue	<u>44,418</u>	<u>43,235</u>	<u>43,255</u>	<u>20</u>
Total Revenues	<u>373,944</u>	<u>363,990</u>	<u>364,155</u>	<u>165</u>
EXPENDITURES:				
Current:				
Security of Persons & Property	2,318,983	2,256,173	2,253,307	2,866
Capital Outlay	<u>30,500</u>	<u>63,500</u>	<u>63,500</u>	<u>-</u>
Total Expenditures	<u>2,349,483</u>	<u>2,319,673</u>	<u>2,316,807</u>	<u>2,866</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(1,975,539)</u>	<u>(1,955,683)</u>	<u>(1,952,652)</u>	<u>3,031</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	<u>1,975,539</u>	<u>1,923,823</u>	<u>1,923,823</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,975,539</u>	<u>1,923,823</u>	<u>1,923,823</u>	<u>-</u>
Net Change in Fund Balance	-	(31,860)	(28,829)	3,031
Fund Balance, Beginning of Year	21,494	21,494	21,494	-
Prior Year Encumbrances Appropriated	<u>10,418</u>	<u>10,418</u>	<u>10,418</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>31,912</u>	<u>52</u>	<u>3,083</u>	<u>3,031</u>

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2011

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 2011.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2011

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 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, 2011

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

	<u>Changes in Fund Balances</u>	
	General Fund	Police Fund
GAAP Basis	\$ (1,478,611)	31,539
Revenue Accruals	2,473,423	3,256
Expenditure Accruals	(1,878,172)	(42,854)
Encumbrances	(47,669)	(20,770)
Budget Basis	\$ (931,029)	(28,829)

CITY OF WILMINGTON, OHIO
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> <i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grant	A-F-08-201-1	14.228	\$ 41,900
Community Development Block Grant	A-F-09-2EP-1	14.228	43,050
Community Development Block Grant	A-F-10-2EP-1	14.228	18,150
Community Development Block Grant	A-T-09-2EP-1	14.228	250,493
Community Housing Improvement Program - CDBG	A-C-10-2EP-1	14.228	<u>30,850</u>
			<u>384,443</u>
HOME Program - Investment Partnership Program	A-C-10-2EP-2	14.239	<u>60,698</u>
Total U.S. Department of Housing and Urban Development			<u>445,141</u>
<u>U.S. Department of Justice</u>			
Federal Forfeitures	n/a	16.000	52,395
<i>(Passed through Ohio Office of Criminal Justice Services)</i>			
Bureau of Justice Assistance FY10 Congressionally Selected	2010-DD-BX-0468	16.580	138,894
ARRA - Edward Byrne Memorial Justice Assistance Grant	2009-SB-B9-2855	16.803	<u>13,632</u>
Total U.S. Department of Justice			<u>204,921</u>
<u>U.S. Department of Transportation</u> <i>(Passed through Ohio Department of Transportation)</i>			
Urban Mass Transit Operating Grant	RPT-4014-023-042	20.509	450,523
Urban Mass Transit Capital Grant	RPT-0014-023-041	20.509	<u>135,480</u>
			<u>586,003</u>
Total U.S. Department of Transportation			<u>586,003</u>
<u>U.S. Department of Energy</u> <i>(Passed through Ohio Department of Development)</i>			
ARRA - Energy Efficiency and Conservation Block Grant	DE-EE0000714	81.128	<u>297,682</u>
Total U.S. Department of Energy			<u>297,682</u>
Total Federal Awards			<u>\$ 1,533,747</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - OUTSTANDING LOANS

The City has established a revolving loan program to provide low-interest loans to stimulate economic activity that will strengthen the economics, employment and tax base in the City. The U.S Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule of Expenditures of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are not included as disbursements on the Schedule. At December 31, 2011, the gross amount of loans outstanding under this program were \$367,354.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - MATCHING REQUIREMENTS

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2012, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Compliance And Other Matters

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

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

We noted certain matters that we reported to management of the City in a separate letter dated June 20, 2012.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 20, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Wilmington, Ohio's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 20, 2012

**CITY OF WILMINGTON, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	no
Identification of major program:	
• <i>CFDA 14.228 Community Development Block Grant</i>	
• <i>CFDA 81.128 ARRA - Energy Efficiency and Conservation Block Grant</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

Finding 2011-1 – Audit Adjustment

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on a cash basis of accounting and converts its financial statements at year end to generally accepted accounting principles. An audit adjustment was necessary to correct an error in the City's conversion process related to the understatement of accounts payable at December 31, 2011.

Management response: *Management concurs with the finding.*

Section III – Federal Award Findings and Questioned Costs

None.

**CITY OF WILMINGTON, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2011**

Finding 2010-1 – Restatement of Financial Statements

As disclosed in Note 16 of the financial statements, the City restated governmental activities net assets, the business-type activities net assets, and certain fund balances as of December 31, 2009. The City identified construction in progress of \$178,299 that should have been capitalized. Also, the City had an outstanding liability for self-insurance medical claims of \$345,547 that was not reported on the financial statements as of December 31, 2009. Prior period adjustments were made to accurately account for the claims payable and construction in progress. Prior period adjustments to financial statements are an indicator of deficiencies in internal control over financial reporting.

Status: *Corrected.*



Dave Yost • Auditor of State

CITY OF WILMINGTON

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2012