



City of Wilmington, Ohio

Basic Financial Statements

Year Ended December 31, 2013

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, 2013 through December 31, 2013. 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

August 8, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the "City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparisons on pages 3 through 10 and 48 through 53 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the City of Wilmington'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wilmington's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2014

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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, 2013. 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 2013 are as follows:

- Total net position of the City decreased by \$0.8 million during 2013 due to a \$0.3 million increase in governmental activities and a \$1.1 million decrease in business-type activities.
- The General Fund had an increase in fund balance of \$278,845, or 7.0%, compared with the fund balance reported one year prior.
- Enterprise fund operations posted an operating loss of \$593,630 due primarily to an increase in contractual services expenses in both the Sewer Fund and the Waste Fund.
- General Fund actual revenue amounts exceeded budgeted amounts while actual expenditures were less than the budgeted amounts. The General Fund reported a \$121,815 increase in the budgetary fund balance for the year.

USING THE BASIC FINANCIAL STATEMENTS

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

"How did the City of Wilmington do financially in 2013?" The broad answer to this question can be obtained with a look at the Statement of Net Position and the Statement of Activities. These statements include all assets, liabilities and deferred outflows/inflows of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 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 position of governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental fund balances in a reconciliation on pages 14 and 16.

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

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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 position for 2013 as compared to 2012.

Table 1
Net Position, December 31,

	2013			2012		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities (restated)	Total
Assets:						
Current and Other Assets	\$ 9,334,257	5,610,329	14,944,586	9,598,928	5,588,313	15,187,241
Capital Assets	<u>14,899,697</u>	<u>31,501,477</u>	<u>46,401,174</u>	<u>15,311,857</u>	<u>33,482,603</u>	<u>48,794,460</u>
Total Assets	<u>24,233,954</u>	<u>37,111,806</u>	<u>61,345,760</u>	<u>24,910,785</u>	<u>39,070,916</u>	<u>63,981,701</u>
Deferred Outflows of Resources	<u>19,216</u>	<u>319,086</u>	<u>338,302</u>	-	<u>345,790</u>	<u>345,790</u>
Liabilities:						
Current and Other Liabilities	901,997	419,673	1,321,670	1,441,420	768,293	2,209,713
Long-term Liabilities	<u>6,103,943</u>	<u>17,426,191</u>	<u>23,530,134</u>	<u>6,526,975</u>	<u>17,919,943</u>	<u>24,446,918</u>
Total Liabilities	<u>7,005,940</u>	<u>17,845,864</u>	<u>24,851,804</u>	<u>7,968,395</u>	<u>18,688,236</u>	<u>26,656,631</u>
Deferred Inflows of Resources	<u>1,665,660</u>	-	<u>1,665,660</u>	<u>1,710,032</u>	-	<u>1,710,032</u>
Net Position:						
Net Investment in Capital Assets	10,216,536	18,514,033	28,730,569	10,146,306	19,649,494	29,795,800
Restricted	1,460,844	450,349	1,911,193	1,555,078	447,325	2,002,403
Unrestricted	<u>3,904,190</u>	<u>620,646</u>	<u>4,524,836</u>	<u>3,530,974</u>	<u>631,651</u>	<u>4,162,625</u>
Total Net Position	<u>\$ 15,581,570</u>	<u>19,585,028</u>	<u>35,166,598</u>	<u>15,232,358</u>	<u>20,728,470</u>	<u>35,960,828</u>

The amount by which the City's assets and deferred outflows exceeded its liabilities and deferred inflows is called net position. As of December 31, 2013, the City's net position was \$35.2 million. Of this amount, \$28.7 million was invested in capital assets and \$1.9 million was subject to external restrictions for its use. The remaining amount, \$4.5 million, was unrestricted and available for future use as directed by City Council and the City administration.

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In total, net position of the City decreased by \$0.8 million. The governmental activities increased by \$0.3 million and business-type activities decreased by \$1.1 million during 2013. The increase in the governmental activities is due primarily to decreased expenses reported for the year. The decrease in the business-type activities was due to decreases in capital asset balances resulting primarily from depreciation expense exceeding current year additions.

The following table provides a summary of the City's changes in net position for 2013 as compared to 2012.

Table 2
Change in Net Position, December 31,

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,907,810	7,149,036	10,056,846	2,958,862	7,236,443	10,195,305
Operating Grants and Contributions	1,748,851	-	1,748,851	1,666,646	-	1,666,646
Capital Grants and Contributions	212,261	241,242	453,503	-	259,694	259,694
General Revenues:						
Property Taxes	1,946,704	-	1,946,704	1,919,616	-	1,919,616
Municipal Income Taxes	4,070,459	-	4,070,459	4,179,487	-	4,179,487
Grants and Contributions not Restricted	869,270	-	869,270	2,341,102	-	2,341,102
Investment Income	26,364	19,744	46,108	10,773	5,488	16,261
Other Revenue	810,027	345,250	1,155,277	352,343	203,903	556,246
Total Revenue	12,591,746	7,755,272	20,347,018	13,428,829	7,705,528	21,134,357
Expenses:						
General Government	3,785,656	-	3,785,656	3,911,686	-	3,911,686
Security of Persons & Property	4,697,579	-	4,697,579	4,644,830	-	4,644,830
Public Health and Welfare Services	485,901	-	485,901	659,974	-	659,974
Leisure Time Activities	464,439	-	464,439	619,138	-	619,138
Transportation	2,543,905	-	2,543,905	2,319,855	-	2,319,855
Water	-	3,399,223	3,399,223	-	3,051,202	3,051,202
Sewer	-	3,139,721	3,139,721	-	3,208,560	3,208,560
Waste	-	2,287,993	2,287,993	-	2,452,370	2,452,370
Interest and Bond Issuance Expenses	336,831	-	336,831	286,639	-	286,639
Total Expenses	12,314,311	8,826,937	21,141,248	12,442,122	8,712,132	21,154,254
Transfers	71,777	(71,777)	-	-	-	-
Increase (Decrease) in Net Position	349,212	(1,143,442)	(794,230)	986,707	(1,006,604)	(19,897)
Net Position, Beginning of Year - restated	15,232,358	20,728,470	35,960,828	14,245,651	21,735,074	35,980,725
Net Position, End of Year	\$ 15,581,570	19,585,028	35,166,598	15,232,358	20,728,470	35,960,828

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
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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 \$2.3 million after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving nearly \$0.9 million in property tax revenues, we see that approximately 28.0% of the net expense of \$3.4 million is paid by property tax revenues with the remaining 72.0% 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 2013 of \$0.8 million due to the increase in related expenses in the current year compared to the prior year. As indicated in Table 3, total governmental expenses decreased by approximately \$0.1 million from those reported in the prior year, which represents a 1.0% decrease.

The \$6.0 million in income and property taxes reported for the year is \$0.1 million less than the amount reported for 2012 as the City begins to realize the impact of the economic stabilization that is beginning to occur.

Business-Type Activities

Overall, the City's business-type activities generated \$7.8 million of revenues, which fell short of the cost of doing business by \$1.1 million. In the current year, the Water Fund, Sewer Fund and Waste Fund reported decreases in net position of \$634,272, \$194,139 and \$315,031, respectively.

Table 3
Total and Cost of Program Services

	2013		2012	
	<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	\$ 3,785,656	(2,280,209)	3,911,686	(2,346,867)
Security of Persons & Property	4,697,579	(3,363,122)	4,644,830	(3,153,514)
Public Health & Welfare Services	485,901	(212,391)	659,974	(596,911)
Leisure Time Activities	464,439	(464,439)	619,138	(619,138)
Transportation	2,543,905	(788,397)	2,319,855	(813,545)
Interest Expense	336,831	(336,831)	286,639	(286,639)
Total	<u>\$ 12,314,311</u>	<u>(7,445,389)</u>	<u>12,442,122</u>	<u>(7,816,614)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 3,399,223	(751,246)	3,051,202	(394,427)
Sewer	3,139,721	(362,812)	3,208,560	(507,124)
Waste	2,287,993	(322,601)	2,452,370	(314,444)
Total	<u>\$ 8,826,937</u>	<u>(1,436,659)</u>	<u>8,712,132</u>	<u>(1,215,995)</u>

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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. Total governmental fund balances are \$5.9 million, of which \$3.0 million is unassigned. The total governmental funds balance of all governmental funds increased by \$0.2 million during 2013.

The General Fund balance increased by \$0.3 million; nearly \$0.3 million less than the increase in fund balance reported for 2012. Total revenues reported for 2013 were \$0.9 million less than those of the prior year due primarily to the decrease reported in intergovernmental revenue. This decrease can be attributed primarily to decreases in estate taxes and state grant funding. Total expenditures reported by the General Fund remained consistent with those reported for 2012.

The fund balances reported in the Taxi Fund and the Bond Retirement Fund increased by \$57,262 and \$26,205, respectively, while the Police Fund experienced a decrease in fund balance of \$78,874 from the balances reported one year prior.

Total governmental fund revenues showed a decrease from 2012 of \$0.7 million or 5.4%. The largest decrease in revenues was related to intergovernmental revenue, which was explained above.

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

General Fund Budgeting Highlights

The General Fund's final budgeted revenues were \$10.0 million while actual revenues exceeded this amount by \$46,554 for the year. The revenue estimates included in the City's final budget documents were \$0.1 million lower than original budget amounts due to miscellaneous revenue amounts received during the year being slightly lower than estimates used in the development of the original budget.

Final budgeted amounts for expenditures and other financing uses were \$11.1 million while actual budgetary expenditures and other financing uses amounted to \$9.9 million. As the City continues to adjust to the new normal, management continues its effort to limit expenditures while providing the necessary services to the City residents.

The budgetary fund balance for the General Fund at December 31, 2013 was \$3.6 million; a \$0.1 million increase from the amount reported one year prior. The ending budgetary fund balance amount at year end represents 36.0% of the total budgetary expenditures and transfers out reported for 2013.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets
2013

	2013			2012		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,569,198	2,431,007	5,000,205	2,569,198	2,514,322	5,083,520
Infrastructure	3,538,413	-	3,538,413	3,538,413	-	3,538,413
Buildings	8,937,325	19,488,314	28,425,639	8,871,491	19,501,091	28,372,582
Improvements	532,287	27,995,291	28,527,578	528,287	28,029,061	28,557,348
Equipment	3,175,901	7,491,026	10,666,927	3,123,932	7,662,147	10,786,079
Vehicles	6,246,436	1,173,239	7,419,675	6,524,830	1,353,123	7,877,953
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Less:						
Accumulated Depreciation	<u>(10,124,916)</u>	<u>(27,077,400)</u>	<u>(37,202,316)</u>	<u>(9,869,347)</u>	<u>(25,577,141)</u>	<u>(35,446,488)</u>
Totals	\$ <u>14,899,697</u>	<u>31,501,477</u>	<u>46,401,174</u>	<u>15,311,857</u>	<u>33,482,603</u>	<u>48,794,460</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2013, amounts to \$46.4 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 \$2.4 million or 4.9%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of \$0.4 million. Depreciation expense for the year totaled \$752,022. Capital assets, net of accumulated depreciation in the business-type activities decreased \$2.0 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, 2013, the City had total bonded debt in the amount of \$16.0 million, of which \$0.9 million is due within one year. Of the total bonded debt amount, \$3.9 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$12.1 million being mortgage revenue bonds for waterworks improvements. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$90,155.

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 Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,929,314	\$ 4,769,230	\$ 9,698,544
Receivables			
Taxes	3,212,312	-	3,212,312
Accounts	134,382	682,151	816,533
Loans Receivable	347,378	-	347,378
Due from Other Governments	419,470	-	419,470
Interfund Balance	291,401	(291,401)	-
Restricted Assets:			
Cash and Cash Equivalents	-	450,349	450,349
Capital Assets:			
Capital Assets not subject to depreciation			
Land	2,569,198	2,431,007	5,000,205
Capital Assets, net of accumulated depreciation	<u>12,330,499</u>	<u>29,070,470</u>	<u>41,400,969</u>
 Total Assets	 <u>24,233,954</u>	 <u>37,111,806</u>	 <u>61,345,760</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amount on Refunding	<u>19,216</u>	<u>319,086</u>	<u>338,302</u>
 Total Deferred Outflows of Resources	 <u>19,216</u>	 <u>319,086</u>	 <u>338,302</u>
LIABILITIES:			
Accounts Payable	229,133	258,065	487,198
Accrued Wages and Benefits	361,772	113,650	475,422
Insurance Claims Payable	262,000	-	262,000
Accrued Interest Payable	49,092	47,958	97,050
Noncurrent Liabilities:			
Due Within One Year	678,071	563,999	1,242,070
Due In More than One Year	<u>5,425,872</u>	<u>16,862,192</u>	<u>22,288,064</u>
 Total Liabilities	 <u>7,005,940</u>	 <u>17,845,864</u>	 <u>24,851,804</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes	<u>1,665,660</u>	<u>-</u>	<u>1,665,660</u>
 Total Deferred Inflows of Resources	 <u>1,665,660</u>	 <u>-</u>	 <u>1,665,660</u>
NET POSITION:			
Net Investment in Capital Assets	10,216,536	18,514,033	28,730,569
Restricted for:			
Debt Service	26,206	-	26,206
Utility Debt Service	-	450,349	450,349
Social Services	50,019	-	50,019
Public Safety	701,667	-	701,667
Road Construction / Public Works	573,521	-	573,521
Leisure Activities	74,431	-	74,431
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>3,904,190</u>	<u>620,646</u>	<u>4,524,836</u>
 Total Net Position	 <u>\$ 15,581,570</u>	 <u>\$ 19,585,028</u>	 <u>\$ 35,166,598</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 3,785,656	\$ 1,505,447	\$ -	\$ -	\$ (2,280,209)		\$ (2,280,209)
Security of Persons & Property	4,697,579	1,082,433	252,024	-	(3,363,122)		(3,363,122)
Public Health & Welfare Services	485,901	13,150	260,360	-	(212,391)		(212,391)
Leisure Time Activities	464,439	-	-	-	(464,439)		(464,439)
Transportation	2,543,905	306,780	1,236,467	212,261	(788,397)		(788,397)
Interest and Bond Issuance Expenses	336,831	-	-	-	(336,831)		(336,831)
Total Governmental Activities	<u>12,314,311</u>	<u>2,907,810</u>	<u>1,748,851</u>	<u>212,261</u>	<u>(7,445,389)</u>		<u>(7,445,389)</u>
Business-Type Activities:							
Water	3,399,223	2,647,977	-	-		(751,246)	(751,246)
Sewer	3,139,721	2,545,667	-	231,242		(362,812)	(362,812)
Waste	2,287,993	1,955,392	-	10,000		(322,601)	(322,601)
Total Business-Type Activities	<u>8,826,937</u>	<u>7,149,036</u>	<u>-</u>	<u>241,242</u>		<u>(1,436,659)</u>	<u>(1,436,659)</u>
Total	<u>\$ 21,141,248</u>	<u>\$ 10,056,846</u>	<u>\$ 1,748,851</u>	<u>\$ 453,503</u>	<u>(7,445,389)</u>	<u>(1,436,659)</u>	<u>(8,882,048)</u>
General Revenues:							
Municipal Income Taxes, Levied for:							
General Purposes					4,070,459	-	4,070,459
Property Taxes Levied for:							
General Purposes					424,720	-	424,720
Security of Persons & Property					942,870	-	942,870
Street Lighting					218,465	-	218,465
Leisure Time Activities					360,649	-	360,649
Grants and Contributions not Restricted to Specific Programs					869,270	-	869,270
Investment Earnings					26,364	19,744	46,108
Miscellaneous					810,027	345,250	1,155,277
Total General Revenues					<u>7,722,824</u>	<u>364,994</u>	<u>8,087,818</u>
Transfers					71,777	(71,777)	-
Total General Revenues and Transfers					<u>7,794,601</u>	<u>293,217</u>	<u>8,087,818</u>
Change in Net Position					349,212	(1,143,442)	(794,230)
Net Position, Beginning of Year - restated					15,232,358	20,728,470	35,960,828
Net Position, End of Year					<u>\$ 15,581,570</u>	<u>\$ 19,585,028</u>	<u>\$ 35,166,598</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Taxi Fund	Bond Retirement Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,947,229	\$ 128,908	\$ 26,206	\$ 34,731	\$ 1,792,240	\$ 4,929,314
Receivables:						
Taxes	1,778,332	-	-	296,860	1,137,120	3,212,312
Accounts	108,677	-	-	52	25,653	134,382
Loans Receivable	-	-	-	-	347,378	347,378
Due from Other Funds	702,500	695	-	3,645	5,617	712,457
Due from Other Governments	<u>171,634</u>	<u>-</u>	<u>-</u>	<u>6,778</u>	<u>241,058</u>	<u>419,470</u>
 Total Assets	 <u>\$ 5,708,372</u>	 <u>\$ 129,603</u>	 <u>\$ 26,206</u>	 <u>\$ 342,066</u>	 <u>\$ 3,549,066</u>	 <u>\$ 9,755,313</u>
LIABILITIES:						
Accounts Payable	\$ 75,221	\$ 32,073	\$ -	\$ 31,391	\$ 90,448	\$ 229,133
Accrued Wages and Benefits	88,003	40,713	-	53,387	179,669	361,772
Insurance Claims Payable	262,000	-	-	-	-	262,000
Due to Other Funds	<u>18,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,500</u>	<u>421,056</u>
 Total Liabilities	 <u>443,780</u>	 <u>72,786</u>	 <u>-</u>	 <u>84,778</u>	 <u>672,617</u>	 <u>1,273,961</u>
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes	424,329	-	-	256,906	984,425	1,665,660
Unavailable Resources for:						
Municipal Income Taxes	407,481	-	-	-	-	407,481
Delinquent Property Taxes	66,202	-	-	39,954	152,694	258,850
Intergovernmental	<u>96,932</u>	<u>-</u>	<u>-</u>	<u>6,778</u>	<u>164,643</u>	<u>268,353</u>
 Total Deferred Inflows of Resources	 <u>994,944</u>	 <u>-</u>	 <u>-</u>	 <u>303,638</u>	 <u>1,301,762</u>	 <u>2,600,344</u>
FUND BALANCES:						
Nonspendable - Endowment Corpus	-	-	-	-	35,000	35,000
Restricted for:						
Debt Service	-	-	26,206	-	-	26,206
Social Services	-	-	-	-	50,019	50,019
Public Safety	-	-	-	-	614,247	614,247
Road Construction / Public Works	-	56,817	-	-	467,365	524,182
Leisure Activities	-	-	-	-	74,431	74,431
Committed to:						
Social Services	-	-	-	-	826,483	826,483
Leisure Activities	-	-	-	-	4,090	4,090
Assigned to:						
Self Insurance	207,859	-	-	-	-	207,859
Subsequent Appropriations	446,878	-	-	-	-	446,878
Other Purposes	119,056	-	-	-	-	119,056
Unassigned	<u>3,495,855</u>	<u>-</u>	<u>-</u>	<u>(46,350)</u>	<u>(496,948)</u>	<u>2,952,557</u>
 Total Fund Balances	 <u>4,269,648</u>	 <u>56,817</u>	 <u>26,206</u>	 <u>(46,350)</u>	 <u>1,574,687</u>	 <u>5,881,008</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,708,372</u>	<u>\$ 129,603</u>	<u>\$ 26,206</u>	<u>\$ 342,066</u>	<u>\$ 3,549,066</u>	<u>\$ 9,755,313</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2013

Total Governmental Fund Balances	\$	5,881,008
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,899,697
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		934,684
The deferred loss on refunding does not represent a use of current resources and therefore it is not reported in the funds		19,216
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:		
Note Payable		(1,081,470)
Capital Lease Payable		(258,196)
Accrued Interest on Long-Term Debt		(49,092)
Police and Fire Pension Obligations		(90,155)
General Obligation Bonds Payable		(3,880,000)
Bond Premium		(161,681)
Compensated Absences		<u>(632,441)</u>
Net Position of Governmental Activities	\$	<u>15,581,570</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Taxi Fund	Bond Retirement Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Property Taxes	\$ 438,303	\$ -	\$ -	\$ 256,055	\$ 1,091,367	\$ 1,785,725
Municipal Income Taxes	4,042,242	-	-	-	-	4,042,242
Intergovernmental	657,057	831,665	-	22,878	1,235,845	2,747,445
Charges for Services	1,454,734	306,426	-	4,716	10,050	1,775,926
Licenses and Permits	121,266	-	-	-	-	121,266
Fees, Fines and Forfeitures	679,477	-	-	3,788	245,482	928,747
Special Assessments	81,871	-	-	-	218,465	300,336
Investment Income	25,907	-	-	-	457	26,364
Other Revenue	489,867	43,698	29,955	49,202	218,445	831,167
Total Revenues	<u>7,990,724</u>	<u>1,181,789</u>	<u>29,955</u>	<u>336,639</u>	<u>3,020,111</u>	<u>12,559,218</u>
EXPENDITURES:						
Current:						
General Government	3,663,209	-	-	-	-	3,663,209
Security of Persons & Property	999	-	-	2,052,340	2,243,548	4,296,887
Transportation	-	1,254,985	-	-	1,083,802	2,338,787
Public Health & Welfare Services	-	-	-	-	485,901	485,901
Leisure Time Activities	-	-	-	-	441,817	441,817
Capital Outlay	-	44,542	-	62,712	166,377	273,631
Debt Service:						
Principal	71,776	-	3,685,000	-	477,388	4,234,164
Interest and Bond Issuance Costs	57,111	-	122,461	-	243,663	423,235
Total Expenditures	<u>3,793,095</u>	<u>1,299,527</u>	<u>3,807,461</u>	<u>2,115,052</u>	<u>5,142,496</u>	<u>16,157,631</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>4,197,629</u>	<u>(117,738)</u>	<u>(3,777,506)</u>	<u>(1,778,413)</u>	<u>(2,122,385)</u>	<u>(3,598,413)</u>
OTHER FINANCING SOURCES (USES):						
Issuance of Bonds	-	-	3,635,000	-	-	3,635,000
Premium on Issuance of Bonds	-	-	168,711	-	-	168,711
Transfers In	-	175,000	-	1,699,539	2,044,245	3,918,784
Transfers Out	(3,918,784)	-	-	-	-	(3,918,784)
Total Other Financing Sources (Uses):	<u>(3,918,784)</u>	<u>175,000</u>	<u>3,803,711</u>	<u>1,699,539</u>	<u>2,044,245</u>	<u>3,803,711</u>
Net Change in Fund Balance	278,845	57,262	26,205	(78,874)	(78,140)	205,298
Fund Balance (Deficit), Beginning of Year	<u>3,990,803</u>	<u>(445)</u>	<u>1</u>	<u>32,524</u>	<u>1,652,827</u>	<u>5,675,710</u>
Fund Balance (Deficit), End of Year	<u>\$ 4,269,648</u>	<u>\$ 56,817</u>	<u>\$ 26,206</u>	<u>\$ (46,350)</u>	<u>\$ 1,574,687</u>	<u>\$ 5,881,008</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, 2013

Total Change in Fund Balances - Governmental Funds \$ 205,298

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	273,631	
Depreciation	(752,022)	
Capital Assets Transferred From Enterprise Fund	85,000	
Book Value of Capital Assets Transferred to Enterprise Fund	<u>(13,223)</u>	(406,614)

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

Property Taxes	(57,486)	
Income Taxes	28,217	
Intergovernmental Revenue	<u>82,937</u>	53,668

Issuance of debt, and the associated premium, in the current year is reported as an other financing source of resources in the governmental funds; however the debt and related items are reported as liabilities in the statement of net position. Components of debt issued during the year are as follows:

Issuance of general obligation refunding bonds	(3,635,000)	
Deferred Loss on Refunding	19,216	
Premium on the issuance of bonds	<u>(168,711)</u>	(3,784,495)

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

4,234,164

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	(14,451)	
Accrued Interest Payable	60,158	
Amortization of Bond Premium	<u>7,030</u>	52,737

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

(5,546)

Change in Net Position of Governmental Activities

\$ 349,212

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Enterprise Funds
December 31, 2013

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,460,972	\$ 2,709,431	\$ 598,827	\$ 4,769,230
Receivables				
Accounts	230,623	220,905	230,623	682,151
Due from Other Funds	2,871	3,076	2,652	8,599
Restricted Assets:				
Cash and Cash Equivalents	448,971	1,378	-	450,349
Total Current Assets	<u>2,143,437</u>	<u>2,934,790</u>	<u>832,102</u>	<u>5,910,329</u>
Noncurrent Assets:				
Land	659,657	1,057,709	713,641	2,431,007
Capital Assets, net of accumulated depreciation	18,229,429	10,063,811	777,230	29,070,470
Total Noncurrent Assets	<u>18,889,086</u>	<u>11,121,520</u>	<u>1,490,871</u>	<u>31,501,477</u>
Total Assets	<u>21,032,523</u>	<u>14,056,310</u>	<u>2,322,973</u>	<u>37,411,806</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Amount on Refunding	319,086	-	-	319,086
Total Deferred Outflows of Resources	<u>319,086</u>	<u>-</u>	<u>-</u>	<u>319,086</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,351,609</u>	<u>\$ 14,056,310</u>	<u>\$ 2,322,973</u>	<u>\$ 37,730,892</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 102,172	\$ 112,350	\$ 43,543	\$ 258,065
Accrued Wages and Benefits	38,872	40,621	34,157	113,650
Due to Other Funds	-	-	300,000	300,000
Accrued Compensated Absences	33,123	41,617	22,600	97,340
Accrued Interest Payable	23,896	23,716	346	47,958
Long-Term Notes Payable - current	-	46,659	-	46,659
Mortgage Revenue Bonds Payable - current	420,000	-	-	420,000
Total Current Liabilities	<u>618,063</u>	<u>264,963</u>	<u>400,646</u>	<u>1,283,672</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	65,758	82,621	44,865	193,244
Postclosure Care	-	-	3,829,077	3,829,077
Notes Payable	-	1,077,553	-	1,077,553
Mortgage Revenue Bonds Payable	11,735,000	-	-	11,735,000
Accrued Bond Premium	27,318	-	-	27,318
Total Noncurrent Liabilities	<u>11,828,076</u>	<u>1,160,174</u>	<u>3,873,942</u>	<u>16,862,192</u>
Total Liabilities	<u>12,446,139</u>	<u>1,425,137</u>	<u>4,274,588</u>	<u>18,145,864</u>
NET POSITION:				
Net Investment in Capital Assets	7,025,854	9,997,308	1,490,871	18,514,033
Restricted for:				
Utility Debt Service	448,971	1,378	-	450,349
Unrestricted	1,430,645	2,632,487	(3,442,486)	620,646
Total Net Position	<u>8,905,470</u>	<u>12,631,173</u>	<u>(1,951,615)</u>	<u>19,585,028</u>
Total Liabilities and Net Position	<u>\$ 21,351,609</u>	<u>\$ 14,056,310</u>	<u>\$ 2,322,973</u>	<u>\$ 37,730,892</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Funds
For the Year Ended December 31, 2013

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,647,977	\$ 2,545,667	\$ 1,955,392	\$ 7,149,036
Other Revenue	<u>179,631</u>	<u>158,049</u>	<u>7,570</u>	<u>345,250</u>
Total Operating Revenues	<u>2,827,608</u>	<u>2,703,716</u>	<u>1,962,962</u>	<u>7,494,286</u>
OPERATING EXPENSES:				
Personal Services	1,058,823	1,144,984	1,071,244	3,275,051
Contractual Services	800,829	816,961	586,077	2,203,867
Materials and Supplies	215,002	221,612	167,935	604,549
Depreciation	658,846	893,084	373,929	1,925,859
Closure and Postclosure Care	<u>-</u>	<u>-</u>	<u>78,590</u>	<u>78,590</u>
Total Operating Expenses	<u>2,733,500</u>	<u>3,076,641</u>	<u>2,277,775</u>	<u>8,087,916</u>
Operating Income (Loss)	<u>94,108</u>	<u>(372,925)</u>	<u>(314,813)</u>	<u>(593,630)</u>
NON-OPERATING REVENUE (EXPENSES):				
Intergovernmental	-	231,242	10,000	241,242
Investment Income	9,120	10,624	-	19,744
Interest and Fiscal Charges	(573,909)	(52,368)	(7,604)	(633,881)
Loss on the Sale of Capital Assets	<u>(91,814)</u>	<u>(10,712)</u>	<u>(2,614)</u>	<u>(105,140)</u>
Total Non-Operating Revenues (Expenses)	<u>(656,603)</u>	<u>178,786</u>	<u>(218)</u>	<u>(478,035)</u>
Income (Loss) Before Contributions of Capital/Transfers	(562,495)	(194,139)	(315,031)	(1,071,665)
Transfers-Out	(85,000)	-	-	(85,000)
Contributions of Capital	<u>13,223</u>	<u>-</u>	<u>-</u>	<u>13,223</u>
Change in Net Position	(634,272)	(194,139)	(315,031)	(1,143,442)
Net Position, Beginning of Year - restated	<u>9,539,742</u>	<u>12,825,312</u>	<u>(1,636,584)</u>	<u>20,728,470</u>
Net Position, End of Year	<u>\$ 8,905,470</u>	<u>\$ 12,631,173</u>	<u>\$ (1,951,615)</u>	<u>\$ 19,585,028</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2013

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 2,637,299	\$ 2,533,175	\$ 1,941,837	\$ 7,112,311
Cash Paid for Employees Salaries and Benefits	(1,016,342)	(1,143,457)	(989,287)	(3,149,086)
Cash Paid to Suppliers	(959,872)	(1,063,882)	(821,391)	(2,845,145)
Other Operating Revenues	<u>179,631</u>	<u>167,049</u>	<u>7,570</u>	<u>354,250</u>
Net Cash Provided by Operating Activities	<u>840,716</u>	<u>492,885</u>	<u>138,729</u>	<u>1,472,330</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grants	-	231,242	10,000	241,242
Capital Expenditures	(85,000)	(37,550)	(6,000)	(128,550)
Proceeds from Sale of Capital Assets	6,500	400	-	6,900
Principal on Mortgage Revenue Bonds	(410,000)	-	-	(410,000)
Principal on Note Payable	-	(44,781)	-	(44,781)
Principal on Capital Lease	-	-	(45,584)	(45,584)
Interest Paid	<u>(550,799)</u>	<u>(54,219)</u>	<u>(10,697)</u>	<u>(615,715)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,039,299)</u>	<u>95,092</u>	<u>(52,281)</u>	<u>(996,488)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from Internal Borrowing	-	-	300,000	300,000
Principal Payments on General Obligation BAN	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>
Net Cash Used by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	<u>9,120</u>	<u>10,624</u>	<u>-</u>	<u>19,744</u>
Increase (Decrease) in Cash and Cash Equivalents	(189,463)	598,601	(13,552)	395,586
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>2,099,406</u>	<u>2,112,208</u>	<u>612,379</u>	<u>4,823,993</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 1,909,943</u>	<u>\$ 2,710,809</u>	<u>\$ 598,827</u>	<u>\$ 5,219,579</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 Statement of Net Position	\$ 1,460,972	\$ 2,709,431	\$ 598,827	\$ 4,769,230
Plus: Restricted Cash and Cash Equivalents	<u>448,971</u>	<u>1,378</u>	<u>-</u>	<u>450,349</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 1,909,943</u>	<u>\$ 2,710,809</u>	<u>\$ 598,827</u>	<u>\$ 5,219,579</u>

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2013
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 94,108	\$ (372,925)	\$ (314,813)	\$ (593,630)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	658,846	893,084	373,929	1,925,859
Landfill Closure and Postclosure Costs	-	-	78,590	78,590
Changes in Assets and Liabilities:				
Accounts Receivable	(10,678)	(3,492)	(13,555)	(27,725)
Due from Other Funds	35,299	36,143	29,853	101,295
Accounts Payable	84,549	13,681	(5,117)	93,113
Accrued Wages & Benefits	362	(34,672)	(2,300)	(36,610)
Accrued Compensated Absences	(21,770)	(38,934)	(7,858)	(68,562)
Net Cash Provided by Operating Activities	<u>\$ 840,716</u>	<u>\$ 492,885</u>	<u>\$ 138,729</u>	<u>\$ 1,472,330</u>

Noncash Item:

The Water Fund transferred capital assets totaling \$85,000 to the Governmental Activities. In addition, the Water Fund received contributed capital assets from Governmental Activities with a net book value of \$13,223 (\$106,572 original cost less \$93,349 in accumulated depreciation).

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2013

ASSETS:

Equity in Pooled Cash and Cash Equivalents	\$ 193,668
Total Assets	<u>\$ 193,668</u>

LIABILITIES:

Undistributed Monies	\$ 193,668
Total Liabilities	<u>\$ 193,668</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, 2013

NOTE 1 – REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Wilmington have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for transfers in from the general fund for the retirement of principal and interest on general obligation debt.

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 position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; currently, the City has no internal service funds.

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral of loss on refunding of debt, which is the difference in the carrying value of the debt being refunded and the price the City must pay for reacquisition. This amount is deferred and amortized over the shorter of the life of the refunded debt or the debt issued for the refunding.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is a legally enforceable claim as of December 31, 2013, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and charges for services. These amounts are deferred inflows of resources on the fund statements and recognized as revenues on the full accrual government-wide statements.

Expenses/Expenditures

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

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

Cash and Cash Equivalents

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes. During fiscal year 2013, investments were limited to U.S. treasury notes. Investments are reported at fair 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 position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective fund financial statements with the enterprise funds capital assets being reported in the business-type activities column of the government-wide statement of net position.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 the vesting method states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with 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, 2013, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Balance Classifications

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

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

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

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

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

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

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. The City considers committed, assigned, and

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

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

Operating Revenues and Expenses

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

Interfund Activity

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

Repayment from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements.

Estimates

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

NOTE 3 – ACCOUNTABILITY

At December 31, 2013 the following individual funds reported deficit fund balances: Permissive Tax, Lodging Excise Tax, Police, 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 Position as "Equity in Pooled Cash and Cash Equivalents".

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

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

At year end the carrying amount of the City’s deposits was \$3,433,732 and the bank balance was \$3,209,191. Of the bank balance, \$283,217 was covered by federal deposit insurance and \$2,925,974 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City’s name.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The City's investments at December 31, 2013 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1 to 3	3 to 5
Money Market Funds	\$ 240,066	N/A	\$ 240,066	\$ -	\$ -
Certificates of Deposit	1,619,572	N/A	890,603	728,969	-
Federal Home Loan Mortgage	744,982	AA+	-	-	744,982
Federal National Mortgage	3,563,529	AA+	1,243,520	593,638	1,726,371
Federal Farm Credit Bank	740,680	AA+	-	487,437	253,243
Total Investments	<u>\$ 6,908,829</u>		<u>\$ 2,374,189</u>	<u>\$ 1,810,044</u>	<u>\$ 2,724,596</u>

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

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

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

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

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	\$ 10,342,561	-
Investments:		
Money Market Funds	(240,066)	240,066
Certificates of Deposit	(1,619,572)	1,619,572
US Government Agency Obligations	<u>(5,049,191)</u>	<u>5,049,191</u>
Per Footnote	<u>\$ 3,433,732</u>	<u>6,908,829</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 5 – RECEIVABLES

Receivables at December 31, 2013 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance operations in the subsequent year.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2013 with real property taxes.

The full tax rate of for all City operations for the year ended December 31, 2013 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 209,545,580
Public Utility Tangible Personal Property Assessed Valuation	<u>5,818,960</u>
Total	<u>\$ 215,364,540</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2013 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 5 – RECEIVABLES (Continued)

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	\$ 139,115
Homestead/Rollback	43,415
Estate Tax	20,999
Gasoline tax	209,054
Motor vehicle license fees	<u>6,887</u>
 Total	 \$ <u>419,470</u>

NOTE 6 - INTERFUND ACTIVITY

Interfund transfers for the year ended December 31, 2013, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>
	General Fund
Taxi Fund	\$ 175,000
Police Fund	1,699,539
Nonmajor Governmental Funds	<u>2,044,245</u>
 Total	 \$ <u>3,918,784</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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - INTERFUND ACTIVITY (Continued)

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. The table below also includes related to \$702,500 in notes outstanding which were held by the City. A summary of the interfund due to and due from amounts as of December 31, 2013 is below:

Due To	Due From		
	General Fund	Waste Fund	Nonmajor Governmental Funds
General Fund	\$ -	300,000	402,500
Taxi Fund	695	-	-
Police Fund	3,645	-	-
Water Fund	2,871	-	-
Sewer Fund	3,076	-	-
Waste Fund	2,652	-	-
Nonmajor Governmental Funds	5,617	-	-
Total	<u>\$ 18,556</u>	<u>\$ 300,000</u>	<u>\$ 402,500</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 2,569,198	-	-	2,569,198
Depreciable capital assets:				
Buildings	8,871,491	85,000	(112,515)	8,843,976
Improvements	528,287	4,000	-	532,287
Equipment	3,123,932	160,727	(108,758)	3,175,901
Vehicles	6,524,830	108,904	(387,298)	6,246,436
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	3,538,413	-	-	3,538,413
Depreciable capital assets	<u>22,612,006</u>	<u>358,631</u>	<u>(608,571)</u>	<u>22,362,066</u>
Less: accumulated depreciation				
Buildings	(2,516,849)	(189,719)	99,094	(2,607,474)
Improvements	(218,327)	(25,238)	-	(243,565)
Equipment	(2,767,168)	(156,769)	103,410	(2,820,527)
Vehicles	(3,911,923)	(310,544)	387,298	(3,835,169)
Furniture & Fixtures	(25,053)	-	-	(25,053)
Infrastructure	(430,027)	(69,752)	-	(499,779)
Accumulated depreciation	<u>(9,869,347)</u>	<u>(752,022) *</u>	<u>589,802</u>	<u>(10,031,567)</u>
Depreciable capital assets, net	<u>12,742,659</u>	<u>(393,391)</u>	<u>(18,769)</u>	<u>12,330,499</u>
Governmental activities capital assets, net	<u>\$ 15,311,857</u>	<u>(393,391)</u>	<u>(18,769)</u>	<u>14,899,697</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 7 – CAPITAL ASSETS (Continued)

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

General Government	\$	103,948
Security of Persons & Property		405,603
Leisure Time Activities		32,169
Transportation		<u>210,302</u>
	\$	<u><u>752,022</u></u>

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 2,514,322	-	(83,315)	2,431,007
Depreciable capital assets:				
Buildings	19,501,091	98,223	(111,000)	19,488,314
Improvements	28,029,061	-	(33,770)	27,995,291
Equipment	7,662,147	23,550	(194,671)	7,491,026
Vehicles	1,353,123	20,000	(199,884)	1,173,239
Depreciable capital assets	<u>56,545,422</u>	<u>141,773</u>	<u>(539,325)</u>	<u>56,147,870</u>
Less: accumulated depreciation				
Buildings	(4,549,091)	(430,284)	26,000	(4,953,375)
Improvements	(14,957,464)	(1,097,795)	30,044	(16,025,215)
Equipment	(4,869,186)	(345,261)	169,672	(5,044,775)
Vehicles	(1,201,400)	(52,519)	199,884	(1,054,035)
Accumulated depreciation	<u>(25,577,141)</u>	<u>(1,925,859)</u>	<u>425,600</u>	<u>(27,077,400)</u>
Depreciable capital assets, net	<u>30,968,281</u>	<u>(1,784,086)</u>	<u>(113,725)</u>	<u>29,070,470</u>
Business-Type activities capital assets, net	<u>\$ 33,482,603</u>	<u>(1,784,086)</u>	<u>(197,040)</u>	<u>31,501,477</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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

For the year ended December 31, 2013, 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 2013 was 14.0 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, 2013, 2012 and 2011 were \$712,118, \$735,536 and \$803,556, respectively; 92 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

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. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, Employers were 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 \$437,090 for the year ended December 31, 2013, \$465,628 for 2012 and \$507,194 for 2011; 78 percent has been contributed for 2013. The full amount has been contributed for 2012 and 2011.

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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.

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 coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, 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 2013, the employer contribution allocated to the health care plan was 1.0% of covered payroll during calendar year 2013. The portion of employer contributions allocated to health care for members in the combined plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. 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 2013, 2012 and 2011, which were used to fund post employment benefits were \$50,845, \$210,143 and \$229,576, respectively. The actual contribution and the actuarially required contribution amounts are the same.

Changes to the health care plan were adopted by the OPERS Board of Trustee on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of legislation under SB 343 and the approved health care changes, OPERS expects to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

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 statutory survivor benefit 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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 publicly available financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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

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, 2013, the employer contribution allocated to the health care plan was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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 2013, 2012 and 2011 that were used to fund post employment benefits were \$57,472, \$145,827 and \$159,680 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, 2013, the estimated total absences payable of the City was \$923,025.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 11 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2013 is as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds Payable	\$ 4,360,000	\$ 3,635,000	\$ 4,115,000	\$ 3,880,000	\$ 490,000
Accrued Bond Premium	-	168,711	7,030	161,681	-
Total General Obligation Bonds	4,360,000	3,803,711	4,122,030	4,041,681	490,000
Note Payable	1,153,246	-	71,776	1,081,470	75,484
Capital Leases Payable	303,051	-	44,855	258,196	46,701
Compensated Absences	617,990	76,250	61,799	632,441	63,244
Police and Fire Pension	92,688	-	2,533	90,155	2,642
Total Governmental Activities	<u>\$ 6,526,975</u>	<u>\$ 3,879,961</u>	<u>\$ 4,302,993</u>	<u>\$ 6,103,943</u>	<u>\$ 678,071</u>
<i><u>Business-Type Activities:</u></i>					
Mortgage Revenue Bonds Payable	\$ 12,565,000	\$ -	\$ 410,000	\$ 12,155,000	\$ 420,000
Accrued Bond Premium	30,733	-	3,415	27,318	-
Total Mortgage Revenue Bonds	12,595,733	-	413,415	12,182,318	420,000
Note Payable	1,168,993	-	44,781	1,124,212	46,659
Capital Lease Payable	45,584	-	45,584	-	-
Estimated Liability for Landfill Closure and Postclosure Care	3,750,487	78,590	-	3,829,077	-
Compensated Absences	359,146	97,340	165,902	290,584	97,340
Total Business-Type Activities	<u>\$ 17,919,943</u>	<u>\$ 175,930</u>	<u>\$ 669,682</u>	<u>\$ 17,426,191</u>	<u>\$ 563,999</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.

During the year, the City issued \$3,635,000 of general obligation refunding bonds with interest rates varying from 2.0% to 4.0%. The bonds were issued to refund \$2,100,000 of outstanding 2003 general obligation, fire department bonds and \$1,585,000 of outstanding 2003 general obligation, municipal building refunding bonds; both with interest rates varying from 2.0% to 5.8%. The net proceeds of \$3,705,051 (including a premium of \$168,711 less issuance costs of \$98,660) were used to provide funds necessary to call the refunded debt during 2013. As of this transaction, the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$20,051. This amount is recorded as a deferred charge on refunding within the deferred outflows of resources section on the statement of net position, and is being amortized over the remaining life of the refunding bonds. The City undertook this refunding to reduce its total debt service payments over the next 8 years by \$258,678 and to obtain an economic gain of \$253,833.

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

General Obligation Bonds (Continued)

General Obligation Bonds: - Governmental Activities

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2007	Fire Truck Acquisition	4.25%	\$ 605,000	\$ 245,000
2013	Mun Bldg/Fire Refunding	2.0% to 4.0%	3,635,000	3,635,000
			<u>\$ 4,240,000</u>	<u>\$ 3,880,000</u>

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

Year Ending December 31	Principal	Interest	Total
2014	\$ 490,000	\$ 111,078	\$ 601,078
2015	485,000	103,313	588,313
2016	495,000	94,262	589,262
2017	515,000	81,013	596,013
2018	455,000	69,462	524,462
2019-2021	1,440,000	116,600	1,556,600
Total	<u>\$ 3,880,000</u>	<u>\$ 575,728</u>	<u>\$ 4,455,728</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, 2013 are as follows:

Mortgage Revenue Bonds - Business Activities

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2005	Water Works Improvements	3.9% to 6.0%	5,525,000	\$ 3,175,000
2007	Water Works Improvements	4.0% to 4.25%	9,330,000	8,980,000
			<u>\$ 14,855,000</u>	<u>\$ 12,155,000</u>

The City has pledged future water revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water revenues. Total principal and interest paid during 2013 for the Water mortgage revenue bonds was \$930,761 compared with net revenue of \$752,954. Although the current revenue, net of specified operating expenses was not enough to cover the mortgage bond revenue repayments for the water 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, 2013

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
2014	\$ 420,000	\$ 505,861	\$ 925,861
2015	435,000	490,073	925,073
2016	455,000	473,186	928,186
2017	490,000	455,174	945,174
2018	505,000	435,637	940,637
2019-2023	3,895,000	1,731,608	5,626,608
2024-2028	4,850,000	802,763	5,652,763
2029	1,105,000	24,863	1,129,863
Total	<u>\$ 12,155,000</u>	<u>\$ 4,919,165</u>	<u>\$ 17,074,165</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
2014	\$ 46,659	\$ 53,402	\$ 100,061
2015	48,615	49,502	98,117
2016	50,654	45,530	96,184
2017	52,777	40,057	92,834
2018	54,991	37,847	92,838
2019-2023	311,534	152,637	464,171
2024-2028	382,560	81,610	464,170
2029-2030	176,422	9,246	185,668
Total	<u>\$ 1,124,212</u>	<u>\$ 469,831</u>	<u>\$ 1,594,043</u>

Police and Fire Pension Liability

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

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

Year Ending December 31	Principal	Interest	Total
2014	\$ 2,642	\$ 3,803	\$ 6,445
2015	2,756	3,689	6,445
2016	2,874	3,571	6,445
2017	2,997	3,447	6,444
2018	3,126	3,319	6,445
2019-2023	17,790	14,433	32,223
2024-2028	21,921	10,303	32,224
2029-2033	27,051	5,173	32,224
2034-2035	8,998	379	9,377
Total	<u>\$ 90,155</u>	<u>\$ 48,117</u>	<u>\$ 138,272</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
2014	\$ 75,484	\$ 53,402	\$ 128,886
2015	79,384	49,502	128,886
2016	83,357	45,530	128,887
2017	87,793	41,094	128,887
2018	92,328	36,558	128,886
2019-2023	538,231	106,202	644,433
2024	124,893	3,993	128,886
Total	<u>\$ 1,081,470</u>	<u>\$ 336,281</u>	<u>\$ 1,417,751</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 had a capital lease with Caterpillar Financial Services Corporation for a track loader that is recorded in business-type activities. The lease period was for three years with annual principal and interest payments. The asset was capitalized for \$133,000. The capital lease was paid in full during 2013.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

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

<u>Year Ending December 31</u>	<u>Fire Truck</u>
2014	\$ 57,135
2015	57,135
2016	57,135
2017	57,135
2018	<u>57,135</u>
Total Minimum Lease Payments	285,675
Less: Amount Representing Interest	<u>(27,479)</u>
Present Value of Minimum Lease Payments	<u>\$ 258,196</u>

NOTE 12 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2013 follows:

	<u>Amount Outstanding 12/31/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2013</u>
<u>Governmental Activities:</u>				
1.625% - 2012 Various Purpose General Obligation BAN	\$ 502,500	\$ -	\$ 502,500	\$ -
0.25% - 2013 Various Purpose General Obligation BAN	<u>-</u>	<u>402,500</u>	<u>-</u>	<u>402,500</u>
Total Governmental Activities	<u>\$ 502,500</u>	<u>\$ 402,500</u>	<u>\$ 502,500</u>	<u>\$ 402,500</u>
	<u>Amount Outstanding 12/31/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding 12/31/2013</u>
<u>Business-Type Activities:</u>				
1.625% - 2012 Various Purpose General Obligation BAN	\$ 400,000	\$ -	\$ 400,000	\$ -
0.25% - 2013 Various Purpose General Obligation BAN	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total Business-Type Activities	<u>\$ 400,000</u>	<u>\$ 300,000</u>	<u>\$ 400,000</u>	<u>\$ 300,000</u>

On July 18, 2013, the City issued a \$702,500 0.25% Bond Anticipation Note (BAN) to refinance a previously issued BAN used to pay for a portion of the construction for Lowes Road and Davids Drive (\$402,500) and the construction for the landfill facility expansion (\$300,000), respectively. The entire BAN issued during the period and outstanding at the end of the period was City issued notes that were purchased by the City. In the financial statements these notes are shown as Due From Other Funds that purchased the notes and Due To Other Funds by the funds that received the note proceeds. The 2013 BAN matures on July 17, 2014.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 entities. As of December 31, 2013, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member entities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The twenty-one participating entities and their respective pool contribution factors for the loss year ended December 31, 2013 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	5.51%	NAWA	0.16%
Bellbrook	1.43%	Piqua	4.58%
Blue Ash	8.19%	Sidney	7.09%
Centerville	3.35%	Springdale	3.89%
Englewood	2.57%	Tipp City	1.89%
Indian Hill	4.06%	Troy	7.67%
Kettering	5.21%	Vandalia	2.90%
Madeira	3.51%	West Carrollton	2.74%
Mason	12.89%	Wilmington	6.68%
Miamisburg	7.11%	Wyoming	3.29%
Montgomery	5.28%	Subtotal	40.88%
Subtotal	59.12%	Total	100.00%

The 2013 pool contribution from the City of Wilmington was \$483,958 representing 6.68% 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" 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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	2,000,000	per occurrence
Pollution Liability	1,000,000	per condition

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$250,000 per occurrence. The SIR for Boiler and Machinery is \$10,000 - \$500,000 per occurrence. The SIR for Pollution Liability is \$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, 2013.

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 Anthem to cover loss in excess of \$55,000 per subscriber or \$2,275,770 in aggregate for the plan year ended March 31, 2014. 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, 2013

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>
2013	\$ 229,000	1,892,614	1,859,614	262,000
2012	\$ 326,200	1,748,836	1,846,036	229,000

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, 2013 to December 31, 2013, 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 \$3,829,077 reported as landfill closure and post-closure care liability at December 31, 2013, 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 51% of the capacity gained by the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$3,874,295. 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, 2013

NOTE 16 - COMMITMENTS

Encumbrances

At December 31, 2013, the City had the following amounts encumbered for purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 74,836
Taxi Fund	91,268
Police Fund	23,685
Non-major Governmental Funds	353,165
Total	\$ 542,954

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2013, the City implemented GASB Statements which had an impact on its accounting and financial reporting and are described below.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government in certain circumstances as well as clarifying the reporting of equity interests in legally separate organizations. No prior year balances were required to be restated as a result of implementing this statement.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassifies as deferred outflows of resources or deferred inflows of resources items that were previously reported as assets and liabilities. Items which were previously and/or are currently reported by the City affected by this implementation include deferred/unearned revenues and unamortized debt issuance costs. Accordingly, the City restated fund balance related to unamortized debt issuance costs as described below.

GASB Statement No. 66, *Technical Corrections – 2012*, changes the requirement to account for risk financing (self-insurance) within the general or internal service funds, eliminates guidance on accounting for operating lease payments that vary from a straight-line basis, changes the determination of the carrying value of purchased loans or group of loans, and modifies the manner in which service fees should be reported on mortgage loans sold. No prior year balances were required to be restated as a result of implementing this statement.

As a result of the implementation of GASB Statement No. 65 noted above, a prior period adjustment was recorded as follows:

	Water Fund	Business-Type Activities
Fund balance at December 31, 2012	\$ 9,908,331	\$ 21,097,059
Change in accounting principle	(368,589)	(368,589)
Restated fund balance at January 1, 2013	\$ 9,539,742	\$ 20,728,470

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 4,484,977	4,550,444	4,570,043	19,599
Special Assessments	80,347	81,871	81,871	-
Licenses and Permits	119,009	118,565	121,266	2,701
Intergovernmental	730,260	744,886	744,111	(775)
Charges for Services	1,424,284	1,422,952	1,451,298	28,346
Investment Income	25,260	25,694	25,739	45
Fees, Fines and Forfeitures	658,699	671,142	671,192	50
Other Revenue	<u>2,411,604</u>	<u>2,210,257</u>	<u>2,206,845</u>	<u>(3,412)</u>
 Total Revenues	 <u>9,934,440</u>	 <u>9,825,811</u>	 <u>9,872,365</u>	 <u>46,554</u>
EXPENDITURES:				
Current:				
General Government	5,776,569	6,122,719	5,420,605	702,114
Security of Persons & Property	<u>507,459</u>	<u>520,443</u>	<u>449,854</u>	<u>70,589</u>
 Total Expenditures	 <u>6,284,028</u>	 <u>6,643,162</u>	 <u>5,870,459</u>	 <u>772,703</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>3,650,412</u>	 <u>3,182,649</u>	 <u>4,001,906</u>	 <u>819,257</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	-	144,480	144,480	-
Transfers-Out	<u>(4,268,357)</u>	<u>(4,471,574)</u>	<u>(4,024,571)</u>	<u>447,003</u>
 Total Other Financing Sources (Uses)	 <u>(4,268,357)</u>	 <u>(4,327,094)</u>	 <u>(3,880,091)</u>	 <u>447,003</u>
 Net Change in Fund Balance	 (617,945)	 (1,144,445)	 121,815	 1,266,260
Fund Balance, Beginning of Year	3,399,479	3,399,479	3,399,479	-
Prior Year Encumbrances Appropriated	<u>37,226</u>	<u>37,226</u>	<u>37,226</u>	<u>-</u>
 Fund Balances, End of Year	 \$ <u>2,818,760</u>	 <u>2,292,260</u>	 <u>3,558,520</u>	 <u>1,266,260</u>

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Taxi Fund
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 976,274	858,026	858,026	-
Charges for Services	348,656	297,744	306,426	8,682
Other Revenue	<u>51,127</u>	<u>44,934</u>	<u>44,934</u>	<u>-</u>
Total Revenues	<u>1,376,057</u>	<u>1,200,704</u>	<u>1,209,386</u>	<u>8,682</u>
EXPENDITURES:				
Current:				
Transportation	1,417,913	1,227,130	1,218,695	8,435
Capital Outlay	<u>153,994</u>	<u>153,994</u>	<u>135,810</u>	<u>18,184</u>
Total Expenditures	<u>1,571,907</u>	<u>1,381,124</u>	<u>1,354,505</u>	<u>26,619</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(195,850)</u>	<u>(180,420)</u>	<u>(145,119)</u>	<u>35,301</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	<u>199,117</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>199,117</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Net Change in Fund Balance	3,267	(5,420)	29,881	35,301
Fund Balance, Beginning of Year	5,246	5,246	5,246	-
Prior Year Encumbrances Appropriated	<u>3,749</u>	<u>3,749</u>	<u>3,749</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>12,262</u>	<u>3,575</u>	<u>38,876</u>	<u>35,301</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 291,969	278,933	278,933	-
Charges for Services	4,936	4,716	4,716	-
Fees, Fines and Forfeitures	4,036	3,856	3,856	-
Other Revenue	<u>53,598</u>	<u>51,205</u>	<u>51,205</u>	<u>-</u>
Total Revenues	<u>354,539</u>	<u>338,710</u>	<u>338,710</u>	<u>-</u>
EXPENDITURES:				
Current:				
Security of Persons & Property	2,133,504	1,997,215	1,992,011	5,204
Capital Outlay	<u>-</u>	<u>69,148</u>	<u>63,182</u>	<u>5,966</u>
Total Expenditures	<u>2,133,504</u>	<u>2,066,363</u>	<u>2,055,193</u>	<u>11,170</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(1,778,965)</u>	<u>(1,727,653)</u>	<u>(1,716,483)</u>	<u>11,170</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	<u>1,778,965</u>	<u>1,699,539</u>	<u>1,699,539</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,778,965</u>	<u>1,699,539</u>	<u>1,699,539</u>	<u>-</u>
Net Change in Fund Balance	-	(28,114)	(16,944)	11,170
Fund Balance, Beginning of Year	7,501	7,501	7,501	-
Prior Year Encumbrances Appropriated	<u>20,822</u>	<u>20,822</u>	<u>20,822</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>28,323</u>	<u>209</u>	<u>11,379</u>	<u>11,170</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, 2013

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 2013.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2013

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances are included as part of the appropriate fund balance within governmental funds.

Lapsing of Appropriations

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

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

The Schedules of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), The General Fund, Taxi Fund and Police Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual or earned (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a component of fund balances (GAAP basis).

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended December 31, 2013

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

	<u>Changes in Fund Balances</u>		
	<u>General Fund</u>	<u>Taxi Fund</u>	<u>Police Fund</u>
GAAP Basis	\$ 278,845	57,262	(78,874)
Revenue Accruals	1,881,641	27,597	2,071
Expenditure Accruals	(2,005,858)	36,290	83,544
Transfers	39,747	-	-
Encumbrances	(74,836)	(91,268)	(23,685)
Other Funds Legally Budgeted Separately	<u>2,276</u>	<u>-</u>	<u>-</u>
Budget Basis	\$ <u>121,815</u>	<u>29,881</u>	<u>(16,944)</u>

CITY OF WILMINGTON, OHIO
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

<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-11-2EP-1	14.228	\$ 8,496
Community Development Block Grant	A-F-12-2EP-1	14.228	33,234
Community Housing Improvement Program - CDBG	A-C-10-2EP-1	14.228	10
Community Housing Improvement Program - CDBG	A-C-12-2EP-1	14.228	<u>18,272</u>
			<u>60,012</u>
HOME Program - Investment Partnership Program	A-C-10-2EP-2	14.239	3,209
HOME Program - Investment Partnership Program	A-C-12-2EP-2	14.239	<u>187,032</u>
			<u>190,241</u>
Total U.S. Department of Housing and Urban Development			<u>250,253</u>
<u>U.S. Department of Justice</u>			
Federal Forfeitures	n/a	16.922	46,290
<i>(Passed through Ohio Office of Criminal Justice Services)</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	2009-SB-B9-2855	16.803	<u>3</u>
Total U.S. Department of Justice			<u>46,293</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	453,770
Urban Mass Transit Capital Grant	RPT-4014-023-041	20.509	<u>212,261</u>
			<u>666,031</u>
Total U.S. Department of Transportation			<u>666,031</u>
Total Federal Awards			\$ <u>962,577</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, 2013, the gross amount of loans outstanding under this program were \$347,378.

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*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund of information of City of Wilmington, Ohio (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of Wilmington, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

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Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2014

CITY OF WILMINGTON, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	none noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	none noted
Type of auditors’ report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none noted
Identification of major programs:	
• <i>CFDA 20.509 – Urban Mass Transit Grant</i>	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

Finding 2013-1 – Segregation of Duties

The segregation of financial duties is important to adequately protect the City's assets and ensure accurate financial reporting. During the year, there was not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction. Without proper segregation of duties, the risk increases that errors and fraud could occur and not be detected within a timely basis. Efficient segregation of duties in a small environment is often difficult; however, the City should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

***Management response:** Management concurs with the finding and has made the necessary changes in 2014 with the hiring of additional personnel to allow for proper segregation of duties over the various finance related internal control processes.*

Finding 2013-2 – 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 over financial reporting. A deficiency in internal control exists when the design of 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 deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed and we consider this a significant deficiency.

The adjustment was necessary to correct the capital asset balance and related accumulated depreciation balance to account for a piece of equipment that was improperly removed from the accounting records and treated as a disposal even though the City did not dispose the equipment.

We recommend the City enhance its internal controls over financial reporting by improving the procedures related to the disposition of surplus equipment within the City. Improving the methods and timeliness in which each department records and reports its capital asset activity (sale, purchase, etc.) to the Auditor's Office will allow for more accurate and complete records at year end.

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

Section III – Federal Awards Findings and Questioned Costs

None noted

**CITY OF WILMINGTON, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2013**

Finding 2012-1 – Segregation of Duties

The segregation of financial duties is important to adequately protect the City's assets and ensure accurate financial reporting. Presently there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction. Without proper segregation of duties, the risk increases that errors and fraud could occur and not be detected within a timely basis. Efficient segregation of duties in a small environment is often difficult; however, the City should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible

Status: Repeat Finding; See 2013-1.



Dave Yost • Auditor of State

CITY OF WILMINGTON

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2014**