

**CITY OF WILMINGTON, OHIO**

Basic Financial Statements

Year Ended December 31, 2005

With

Independent Auditors' Report





**Auditor of State  
Betty Montgomery**

City Council  
City of Wilmington  
69 North South Street  
Wilmington, Ohio 45177

We have reviewed the *Independent Auditors' Report* of the City of Wilmington, Clinton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 28, 2006

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# CITY OF WILMINGTON, OHIO

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Wilmington, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2006, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10 and 49 through 54, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 as required by OMB Circular A-133 and is not a required part of the basic financial statements of the City of Wilmington, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
July 6, 2006



# CITY OF WILMINGTON, OHIO

## CLINTON COUNTY

Management's Discussion and Analysis

For the Year Ended December 31, 2005

Unaudited

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. 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 2005 are as follows:

- The General Fund showed a positive net change in fund balance of \$69,116, a 1.99% increase.
- Proprietary fund operations posted an operating loss of \$43,551 contributing to a decrease in net assets of \$972,957. The major contributor to this loss was interest expense amounting to \$1,219,289.
- General Fund actual revenue amounts exceeded budgeted amounts while actual expenditures were less than the budgeted amounts. Transfers to other funds were the main reason for the reduction in the General Fund budget basis fund balance to \$2,646,136.

### USING THE BASIC FINANCIAL STATEMENTS

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

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

### REPORTING THE CITY AS A WHOLE

*Statement of Net Assets and the Statement of Activities*

"How did the City of Wilmington do financially in 2005?" The broad answer to this question can be obtained with a look at the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenditures, regardless of when the actual cash was received or paid.

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

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

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

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

#### *Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial statements, beginning on page 14, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

*Governmental Funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available in the near future to finance City programs. We detail the relationship between net assets of governmental activities, as reported in the Statement of Net Assets and the Statement of Activities, and governmental fund balances in a reconciliation on pages 15 and 17.

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

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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 Net Assets on page 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 23.

**THE CITY AS A WHOLE**

This is the third year the City has produced government-wide financial statements using the full accrual basis of accounting and economic resources measurement focus.

It should be noted that the change in net assets, as indicated on the Statement of Activities, shows an increase for the year of \$1,335,996. The following table presents a condensed presentation of net assets.

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

	2005			2004 (as restated)		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets:</b>						
Current and Other						
Assets	\$ 11,463,189	11,076,622	22,539,811	9,520,284	5,218,626	14,738,910
Capital Assets	14,862,889	41,864,939	56,727,828	15,364,793	43,693,803	59,058,596
Total Assets	<u>26,326,078</u>	<u>52,941,561</u>	<u>79,267,639</u>	<u>24,885,077</u>	<u>48,912,429</u>	<u>73,797,506</u>
<b>Liabilities:</b>						
Current and Other						
Liabilities	2,885,301	297,150	3,182,451	2,374,934	236,121	2,611,055
Long-term Liabilities	7,005,070	24,157,414	31,162,484	8,383,389	19,216,354	27,599,743
Total Liabilities	<u>9,890,371</u>	<u>24,454,564</u>	<u>34,344,935</u>	<u>10,758,323</u>	<u>19,452,475</u>	<u>30,210,798</u>
<b>Net Assets:</b>						
Invested in Capital Assets,						
Net of Related Debt	8,502,889	25,066,905	33,569,794	7,979,793	26,177,509	34,157,302
Restricted	181,759	1,371,077	1,552,836	123,625	1,305,171	1,428,796
Unrestricted	7,751,059	2,049,015	9,800,074	6,023,336	1,977,274	8,000,610
Total Net Assets	<u>\$ 16,435,707</u>	<u>28,486,997</u>	<u>44,922,704</u>	<u>14,126,754</u>	<u>29,459,954</u>	<u>43,586,708</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2005, the City's net assets were \$44.9 million. Of this amount, \$33.6 million was invested in capital assets and \$1.5 million was subject to external restrictions for its use. The remaining amount, \$9.8 million, was unrestricted and available for future use as directed by City Council and the City administration.

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In total, net assets of the City increased by \$1,335,996. The governmental activities accounted for \$2,308,953 of this increase, with a loss of \$972,957 in the business-type activities. The increase was attributed primarily to the increase in revenue in the governmental activities.

The following table identifies the origin of the decrease in net assets by displaying condensed data from the Statement of Activities.

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

	2005			2004		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 2,528,055	6,225,065	8,753,120	2,171,362	6,023,804	8,195,166
Operating Grants and Contributions	2,142,819	-	2,142,819	1,440,206	-	1,440,206
Capital Grants and Contributions	457,649	-	457,649	99,768	-	99,768
General Revenues:						
Property Taxes	3,608,609	-	3,608,609	2,524,001	-	2,524,001
Municipal Income Taxes	4,548,617	-	4,548,617	4,131,716	-	4,131,716
Hotel Excise Taxes	79,351	-	79,351	69,595	-	69,595
Grants and Contributions not Restricted	1,370,720	25,000	1,395,720	1,496,517	-	1,496,517
Investment Income	168,808	264,883	433,691	82,044	58,779	140,823
Other Revenue	360,026	510,564	870,590	370,810	228,218	599,028
<b>Total Revenue</b>	<b>15,264,654</b>	<b>7,025,512</b>	<b>22,290,166</b>	<b>12,386,019</b>	<b>6,310,801</b>	<b>18,696,820</b>
<b>Expenses:</b>						
General Government	4,617,415		4,617,415	4,172,228	-	4,172,228
Security of Persons & Property	4,679,473		4,679,473	4,678,677	-	4,678,677
Public Health and Welfare Services	535,729		535,729	455,724	-	455,724
Leisure Time Activities	587,828		587,828	547,446	-	547,446
Transportation	2,421,615		2,421,615	2,593,917	-	2,593,917
Water		3,628,179	3,628,179	-	4,104,485	4,104,485
Sewer		2,546,164	2,546,164	-	2,274,453	2,274,453
Waste		1,824,126	1,824,126	-	1,442,429	1,442,429
Interest Expense	113,641	-	113,641	440,953	-	440,953
<b>Total Expenses</b>	<b>12,955,701</b>	<b>7,998,469</b>	<b>20,954,170</b>	<b>12,888,945</b>	<b>7,821,367</b>	<b>20,710,312</b>
Increase (Decrease) in Net Assets	2,308,953	(972,957)	1,335,996	(502,926)	(1,510,566)	(2,013,492)
Net Assets, Beginning of Year, as restated	14,126,754	29,459,954	43,586,708	14,629,680	30,970,520	45,600,200
<b>Net Assets, End of Year</b>	<b>\$ 16,435,707</b>	<b>28,486,997</b>	<b>44,922,704</b>	<b>14,126,754</b>	<b>29,459,954</b>	<b>43,586,708</b>

***Governmental Activities***

The three functions with the largest expenditures are Security of Persons and Property, General Government, and Transportation. 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

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by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving \$1,981,838 in property tax revenues, we see that approximately 78% of the net expense of \$2,534,554 is paid by property tax revenues with the remaining 22% paid by income taxes, grants and other revenue. General Government, the next highest function, includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$3,534,388. The third function, Transportation, covers the roads and streets of the City, has a total cost to taxpayers of \$893,355. As indicated in Table 2, total expenses increased \$402,193, which represents a 1.94% increase. The most significant increases took place in salaries and related personnel costs over 2005.

***Business-Type Activities***

Overall, the City's business-type activities generated \$6.2 million in operating revenues, which fell short of the cost of doing business by \$1,773,404. The cause of this shortfall is that the user fees charged are not sufficient to fully support the business-type activities.

As of the date of this report, there are no known facts or conditions that are expected to have a significant effect on the City's financial position or results of operations for either governmental activities or proprietary activities.

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

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

	<u>2005</u>		<u>2004</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 4,617,415	(3,534,388)	4,172,228	(3,431,454)
Security of Persons & Property	4,679,473	(2,534,554)	4,678,677	(2,875,626)
Public Health & Welfare Services	535,729	(164,628)	455,724	(396,693)
Leisure Time Activities	587,828	(586,612)	547,446	(546,581)
Transportation	2,421,615	(893,355)	2,593,917	(1,486,302)
Interest Expense	113,641	(113,641)	440,953	(440,953)
Total Expenses	<u>\$ 12,955,701</u>	<u>(7,827,178)</u>	<u>12,888,945</u>	<u>(9,177,609)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 3,628,179	(590,716)	4,104,485	(1,078,195)
Sewer	2,546,164	(963,439)	2,274,453	(855,601)
Waste	1,824,126	(219,249)	1,442,429	136,233
Total Expenses	<u>\$ 7,998,469</u>	<u>(1,773,404)</u>	<u>7,821,367</u>	<u>(1,797,563)</u>

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**CLINTON COUNTY**

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**THE CITY'S FUNDS**

The balance sheet for the City's major governmental funds is presented on pages 14 – 15. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$5.5 million, of which \$4.8 million is unreserved. Revenues and expenditures are reflected on pages 16 – 17. The net increase in fund balance was \$593,278.

The General Fund balance increased by \$69,116, caused by an increase in revenue of just over \$500,000. The majority of this increase was due to an increase in both grant revenue and other revenue, expenditures increased slightly by \$11,929, while transfers to other funds increased over \$365,000.

The Police Fund showed a balance increase of \$20,543, due to transfers from the general fund.

Governmental fund expenditures showed an increase over 2005 of \$350,000, or 1.6%. The largest increase in expenditures was within the general government function, accounting for \$475,000 of the increase with the other functions remaining fairly consistent with prior years.

The proprietary funds showed a net operating loss of \$43,551. Charges for services for water, sewer, and waste services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Council has not set fees with the intention of funding capital improvements, however, capital items are charged to enterprise funds. All three of the proprietary funds reported a positive cash flow for the year ended December 31, 2005. User fees will continue to be monitored in order to determine if user fees will need to be increased to pay for the debt service that will be needed for the expansion of the water facilities. This is in keeping with the philosophy that a proprietary fund be treated as a business-type activity.

***General Fund Budgeting Highlights***

The General Fund's budgeted revenues were \$8,554,390 while actual revenues exceeded this amount by \$211,576 during the year. The revenues budgeted to be received were in line with what was anticipated to be received.

Budgeted amounts for expenditures were \$9,391,520 while actual expenditures amounted to \$8,410,214. Actual expenditures were in line with the original budget and amendments may have been made that were not necessary. Therefore, the positive variances for the expenditures were expected.

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

**Table 4**  
Capital Assets

	2005			2004 (as restated)		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,569,198	1,640,927	4,210,125	2,569,198	1,589,868	4,159,066
Infrastructure	1,252,835	-	1,252,835	1,252,835	-	1,252,835
Buildings	8,866,982	19,228,581	28,095,563	8,866,982	19,228,581	28,095,563
Improvements	121,202	25,670,196	25,791,398	121,202	25,670,196	25,791,398
Equipment	2,599,168	6,809,644	9,408,812	2,599,168	6,784,413	9,383,581
Vehicles	4,468,638	1,302,449	5,771,087	4,407,964	1,258,461	5,666,425
Office Furniture and Fixtures	215,622	-	215,622	25,053	-	25,053
Less:						
Accumulated Depreciation	(5,230,756)	(12,786,858)	(18,017,614)	(4,477,609)	(10,837,716)	(15,315,325)
Totals	\$ <u>14,862,889</u>	<u>41,864,939</u>	<u>56,727,828</u>	<u>15,364,793</u>	<u>43,693,803</u>	<u>59,058,596</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2005, amounts to \$56.73 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 over \$2.3 million, or approximately 3.95%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of \$501,904. This is a result of the amount of depreciation expense recognized exceeding the cost of assets acquired during the year. Capital assets, net of accumulated depreciation in the business-type activities decreased \$1,828,864, again as a result of depreciation expense recognized exceeding the cost of assets acquired during the year. Although there were no major assets acquisitions during the year, the City performed an analysis of useful lives of capital assets and determined that the lives required adjustment. Based upon this adjustment and the recalculation of accumulated depreciation, the net capital assets in the governmental activities was increased by \$529,090, and the net capital assets in the business-type activities was increased by \$6,901,350.

***Infrastructure***

There was no change in the infrastructure of the City during 2005. Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 7.

***Debt Administration***

At December 31, 2005, the City had total bonded debt in the amount of \$29,415,000. Of this amount, \$6,360,000 is general obligation debt backed by the full faith and credit of the City, with the remaining \$23,055,000 being mortgage revenue bonds for waterworks improvements and sewer bond refunding. During 2005, the City advance refunded \$5,070,000 of water mortgage revenue bonds issued in 1996 to

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achieve cost savings on future debt service expenses. Property taxes and revenues of the City's utility system have been pledged to repay these debts. The amount due within one year for the bonded debt is \$5,915,000. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$107,727. The amount due within on year is \$1,887. Principal payments for the 2005 year totaled \$866,810.

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.

The City's overall legal debt margin at December 31, 2005 was \$18,215,512. See Note 11 of the Notes to the Basic Financial Statements for more detailed information on long-term debt of the City.

**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**

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Statement of Net Assets

December 31, 2005

	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,740,349	9,389,660	14,130,009
Receivables (net of allowance for uncollectibles):			
Taxes	4,868,043	-	4,868,043
Accounts	90,848	312,328	403,176
Special Assessments	-	3,557	3,557
Loans Receivable	337,947	-	337,947
Accrued Interest	93	-	93
Due from Other Governments	1,425,909	-	1,425,909
Restricted Assets:			
Cash and Cash Equivalents	-	1,371,077	1,371,077
Capital Assets:			
Capital Assets not subject to depreciation			
Land	2,569,198	1,640,927	4,210,125
Capital Assets, net of accumulated depreciation	<u>12,293,691</u>	<u>40,224,012</u>	<u>52,517,703</u>
 Total Assets	 <u>\$ 26,326,078</u>	 <u>52,941,561</u>	 <u>79,267,639</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 253,272	94,826	348,098
Accrued Wages and Benefits	362,405	108,099	470,504
Accrued Interest Payable	108,129	94,225	202,354
Deferred Revenue	1,636,495	-	1,636,495
Bond Anticipation Notes Payable	525,000	-	525,000
Noncurrent Liabilities:			
Due Within One Year	360,621	5,721,651	6,082,272
Due In More than One Year	<u>6,644,449</u>	<u>18,435,763</u>	<u>25,080,212</u>
 Total Liabilities	 <u>9,890,371</u>	 <u>24,454,564</u>	 <u>34,344,935</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Debt	8,502,889	25,066,905	33,569,794
Restricted for:			
Security of Persons & Property	104,865	-	104,865
Parks and Recreation	41,894	-	41,894
Utility Services	-	1,371,077	1,371,077
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>7,751,059</u>	<u>2,049,015</u>	<u>9,800,074</u>
 Total Net Assets	 <u>\$ 16,435,707</u>	 <u>28,486,997</u>	 <u>44,922,704</u>

See accompanying notes to the basic financial statements.

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**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2005

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Governmental Activities:</b>							
General Government	\$ 4,617,415	165,389	917,638	-	(3,534,388)		(3,534,388)
Security of Persons & Property	4,679,473	2,144,919	-	-	(2,534,554)		(2,534,554)
Public Health & Welfare Services	535,729	-	371,101	-	(164,628)		(164,628)
Leisure Time Activities	587,828	1,216	-	-	(586,612)		(586,612)
Transportation	2,421,615	216,531	854,080	457,649	(893,355)		(893,355)
Interest Expense	113,641	-	-	-	(113,641)		(113,641)
<b>Total Governmental Activities</b>	<u>12,955,701</u>	<u>2,528,055</u>	<u>2,142,819</u>	<u>457,649</u>	<u>(7,827,178)</u>		<u>(7,827,178)</u>
<b>Business-Type Activities:</b>							
Water	3,628,179	3,037,463	-	-		(590,716)	(590,716)
Sewer	2,546,164	1,582,725	-	-		(963,439)	(963,439)
Waste	1,824,126	1,604,877	-	-		(219,249)	(219,249)
<b>Total Business-Type Activities</b>	<u>7,998,469</u>	<u>6,225,065</u>	<u>-</u>	<u>-</u>		<u>(1,773,404)</u>	<u>(1,773,404)</u>
<b>Total</b>	<u>\$ 20,954,170</u>	<u>8,753,120</u>	<u>2,142,819</u>	<u>457,649</u>	<u>(7,827,178)</u>	<u>(1,773,404)</u>	<u>(9,600,582)</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes Levied for:							
					1,063,442	-	1,063,442
					1,981,838	-	1,981,838
					36,302	-	36,302
					527,027	-	527,027
					4,548,617	-	4,548,617
					79,351	-	79,351
					1,370,720	25,000	1,395,720
					168,808	264,883	433,691
					360,026	510,564	870,590
					<u>10,136,131</u>	<u>800,447</u>	<u>10,936,578</u>
					2,308,953	(972,957)	1,335,996
					<u>14,126,754</u>	<u>29,459,954</u>	<u>43,586,708</u>
					<u>\$ 16,435,707</u>	<u>28,486,997</u>	<u>44,922,704</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO  
CLINTON COUNTY**

Balance Sheet  
Governmental Funds  
December 31, 2005

	General Fund	Police Fund	Nonmajor Governmental Funds
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 2,646,133	76,171	2,018,045
Receivables (net of allowance for uncollectibles):			
Taxes	2,271,025	529,302	2,067,716
Accounts	77,314	507	13,027
Loans Receivable	-	-	337,947
Accrued Interest	93	-	-
Due from Other Funds	-	-	22,394
Due from Other Governments	<u>605,841</u>	<u>6,552</u>	<u>813,516</u>
 Total Assets	 <u>\$ 5,600,406</u>	 <u>612,532</u>	 <u>5,272,645</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 181,129	666	71,477
Accrued Wages and Benefits	92,267	24,289	245,849
Due to Other Funds	22,394	-	-
Deferred Revenue	1,757,411	490,854	2,592,980
Bond Anticipation Notes Payable	<u>-</u>	<u>-</u>	<u>525,000</u>
 Total Liabilities	 <u>2,053,201</u>	 <u>515,809</u>	 <u>3,435,306</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances	75,038	14,157	187,945
Loans Receivable	-	-	337,947
Permanent Fund	-	-	35,000
Unreserved, Undesignated:			
General Fund	3,472,167	-	-
Special Funds	-	82,566	1,121,232
Debt Service Funds	-	-	142,134
Capital Projects Fund	-	-	4,129
Permanent Fund	<u>-</u>	<u>-</u>	<u>8,952</u>
 Total Fund Balances	 <u>3,547,205</u>	 <u>96,723</u>	 <u>1,837,339</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,600,406</u>	 <u>612,532</u>	 <u>5,272,645</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO  
CLINTON COUNTY**

Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2005

	<hr/>		
Total Governmental Funds			
4,740,349	Total Governmental Fund Balances	\$	5,481,267
4,868,043			
90,848	Amounts reported for governmental		
337,947	activities in the Statement of Net Assets		
93	are different because:		
22,394			
1,425,909			
<hr/>			
11,485,583	Capital assets used in governmental		
	activities are not financial resources and		
	therefore are deferred in the funds.		14,862,889
253,272			
362,405			
22,394			
4,841,245	Other long-term assets are not available to		
525,000	pay for current period expenditures and		
	therefore are deferred in the funds.		3,204,750
<hr/>			
6,004,316			
	Other long-term liabilities, including Issue II loans		
277,140	payable, are not due and payable in the current		
337,947	period and therefore are not reported in the funds:		
35,000	Police and Fire Pension Obligations		(107,728)
	General Obligation Bonds Payable		(6,360,000)
3,472,167	Accrued Interest on Long-Term Debt		(108,129)
1,203,798	Compensated Absences		<u>(537,342)</u>
142,134			
4,129			
8,952			
<hr/>			
5,481,267	Net Assets of Governmental Activities	\$	<u>16,435,707</u>
<hr/>			
11,485,583	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, 2005

	General Fund	Police Fund	Nonmajor Governmental Funds
<b>REVENUES;</b>			
Property Taxes	\$ 559,938	288,210	1,333,150
Municipal Income Taxes	4,227,993	-	-
Intergovernmental	1,516,681	26,958	2,578,122
Charges for Services	1,096,586	8,333	500,214
Licenses and Permits	81,763	-	-
Fees, Fines and Forfeitures	568,860	26,843	148,077
Special Assessments	71,633	-	-
Investment Income	133,226	-	35,584
Other Revenue	<u>273,432</u>	<u>21,022</u>	<u>18,435</u>
 Total Revenues	 <u>8,530,112</u>	 <u>371,366</u>	 <u>4,613,582</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	3,902,790	-	291,774
Security of Persons & Property	395,890	1,914,768	2,153,614
Transportation	-	-	2,313,379
Public Health & Welfare Services	-	-	535,729
Leisure Time Activities	-	-	554,661
Capital Outlay	-	44,055	240,005
Debt Service:			
Principal	-	-	301,810
Interest	-	-	<u>273,307</u>
 Total Expenditures	 <u>4,298,680</u>	 <u>1,958,823</u>	 <u>6,664,279</u>
 Excess (Deficiency) of Revenues Over/ (Under) Expenditures	 <u>4,231,432</u>	 <u>(1,587,457)</u>	 <u>(2,050,697)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	1,608,000	4,874,359
Transfers Out	<u>(4,162,316)</u>	<u>-</u>	<u>(2,320,043)</u>
 Total Other Financing Sources (Uses):	 <u>(4,162,316)</u>	 <u>1,608,000</u>	 <u>2,554,316</u>
 Net Change in Fund Balance	 69,116	 20,543	 503,619
Fund Balance, Beginning of Year, as restated	<u>3,478,089</u>	<u>76,180</u>	<u>1,333,720</u>
 Fund Balance, End of Year	 \$ <u>3,547,205</u>	 <u>96,723</u>	 <u>1,837,339</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, 2005

<p style="text-align: center;">Total Governmental Funds</p> <hr/> <p style="text-align: right;">2,181,298</p> <p style="text-align: right;">4,227,993</p> <p style="text-align: right;">4,121,761</p> <p style="text-align: right;">1,605,133</p> <p style="text-align: right;">81,763</p> <p style="text-align: right;">743,780</p> <p style="text-align: right;">71,633</p> <p style="text-align: right;">168,810</p> <p style="text-align: right;"><u>312,889</u></p> <p style="text-align: right;"><u>13,515,060</u></p> <p style="text-align: right;">4,194,564</p> <p style="text-align: right;">4,464,272</p> <p style="text-align: right;">2,313,379</p> <p style="text-align: right;">535,729</p> <p style="text-align: right;">554,661</p> <p style="text-align: right;">284,060</p> <p style="text-align: right;">301,810</p> <p style="text-align: right;"><u>273,307</u></p> <p style="text-align: right;"><u>12,921,782</u></p> <p style="text-align: right;"><u>593,278</u></p> <p style="text-align: right;">6,482,359</p> <p style="text-align: right;"><u>(6,482,359)</u></p> <p style="text-align: right;"><u>-</u></p> <p style="text-align: right;">593,278</p> <p style="text-align: right;"><u>4,887,989</u></p> <p style="text-align: right;"><u><u>5,481,267</u></u></p>	<p>Total Change in Fund Balances - Governmental Funds <span style="float: right;">\$ 593,278</span></p> <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those exceeded capital outlay in the current period.</p> <p style="padding-left: 40px;">Capital Asset Additions <span style="float: right;">251,243</span></p> <p style="padding-left: 40px;">Depreciation <span style="float: right;">(753,147)</span></p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds. <span style="float: right;">1,749,594</span></p> <p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets <span style="float: right;">301,810</span></p> <p>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:</p> <p style="padding-left: 40px;">Compensated Absences <span style="float: right;">6,509</span></p> <p style="padding-left: 40px;">Accrued Interest Payable <span style="float: right;"><u>159,666</u></span></p> <p>Change in Net Assets of Governmental Activities <span style="float: right;">\$ <u><u>2,308,953</u></u></span></p>	
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See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO  
CLINTON COUNTY**

Balance Sheet  
Proprietary Funds  
December 31, 2005

	Water Fund	Sewer Fund	Waste Fund	Total
<b>ASSETS:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 7,408,978	1,430,038	550,644	9,389,660
Receivables (net of allowance for uncollectibles):				
Accounts	143,293	100,561	68,474	312,328
Special Assessments	-	3,557	-	3,557
Restricted Assets:				
Cash and Cash Equivalents	<u>655,629</u>	<u>715,448</u>	<u>-</u>	<u>1,371,077</u>
Total Current Assets	<u>8,207,900</u>	<u>2,249,604</u>	<u>619,118</u>	<u>11,076,622</u>
Capital Assets:				
Land	742,972	184,314	713,641	1,640,927
Capital Assets, net of accumulated depreciation	<u>22,776,222</u>	<u>14,377,028</u>	<u>3,070,762</u>	<u>40,224,012</u>
Total Capital Assets	<u>23,519,194</u>	<u>14,561,342</u>	<u>3,784,403</u>	<u>41,864,939</u>
Total Assets	<u>\$ 31,727,094</u>	<u>16,810,946</u>	<u>4,403,521</u>	<u>52,941,561</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 1,654	87,409	5,763	94,826
Accrued Wages and Benefits	37,270	32,652	38,177	108,099
Accrued Compensated Absences	34,245	51,329	26,077	111,651
Accrued Interest Payable	44,423	49,802	-	94,225
Mortgage Revenue Bonds Payable - current	<u>5,465,000</u>	<u>145,000</u>	<u>-</u>	<u>5,610,000</u>
Total Current Liabilities	<u>5,582,592</u>	<u>366,192</u>	<u>70,017</u>	<u>6,018,801</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	34,246	51,328	26,077	111,651
Estimated Liability for Landfill Closure & Postclosure Care	-	-	1,526,078	1,526,078
Mortgage Revenue Bonds Payable	15,015,000	2,430,000	-	17,445,000
Accrued Bond Premium	54,368	-	-	54,368
Deferred Amount on Refunding	-	(100,883)	-	(100,883)
Unamortized Bond Issue Costs	<u>(570,862)</u>	<u>(29,589)</u>	<u>-</u>	<u>(600,451)</u>
Total Noncurrent Liabilities	<u>14,532,752</u>	<u>2,350,856</u>	<u>1,552,155</u>	<u>18,435,763</u>
Total Liabilities	<u>20,115,344</u>	<u>2,717,048</u>	<u>1,622,172</u>	<u>24,454,564</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	9,020,688	12,261,814	3,784,403	25,066,905
Unrestricted	<u>2,591,062</u>	<u>1,832,084</u>	<u>(1,003,054)</u>	<u>3,420,092</u>
Total Net Assets	<u>11,611,750</u>	<u>14,093,898</u>	<u>2,781,349</u>	<u>28,486,997</u>
Total Liabilities and Net Assets	<u>\$ 31,727,094</u>	<u>16,810,946</u>	<u>4,403,521</u>	<u>52,941,561</u>

See accompanying notes to the basic financial statements.



**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Proprietary Funds  
For the Year Ended December 31, 2005

	Water Fund	Sewer Fund	Waste Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 3,037,463	1,582,725	1,604,877	6,225,065
Other Revenue	<u>388,334</u>	<u>118,808</u>	<u>3,422</u>	<u>510,564</u>
Total Operating Revenues	<u>3,425,797</u>	<u>1,701,533</u>	<u>1,608,299</u>	<u>6,735,629</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	950,532	871,576	949,256	2,771,364
Contractual Services	674,063	513,896	466,484	1,654,443
Materials and Supplies	156,056	105,099	14,610	275,765
Depreciation	718,211	877,151	353,780	1,949,142
Closure and Postclosure Care	-	-	39,996	39,996
Other Expenses	<u>88,470</u>	<u>-</u>	<u>-</u>	<u>88,470</u>
Total Operating Expenses	<u>2,587,332</u>	<u>2,367,722</u>	<u>1,824,126</u>	<u>6,779,180</u>
Operating Income (Loss)	<u>838,465</u>	<u>(666,189)</u>	<u>(215,827)</u>	<u>(43,551)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Intergovernmental	-	-	25,000	25,000
Investment Income	204,630	60,253	-	264,883
Interest and Fiscal Charges	<u>(1,040,847)</u>	<u>(178,442)</u>	<u>-</u>	<u>(1,219,289)</u>
Total Non-Operating Revenues (Expenses)	<u>(836,217)</u>	<u>(118,189)</u>	<u>25,000</u>	<u>(929,406)</u>
Change in Net Assets	2,248	(784,378)	(190,827)	(972,957)
Fund Balance, Beginning of Year, as restated	<u>11,609,502</u>	<u>14,878,276</u>	<u>2,972,176</u>	<u>29,459,954</u>
Fund Balance, End of Year	\$ <u>11,611,750</u>	<u>14,093,898</u>	<u>2,781,349</u>	<u>28,486,997</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005

	Water Fund	Sewer Fund	Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 3,032,791	1,545,827	1,579,570	6,158,188
Cash Paid for Employees Salaries and Benefits	(952,608)	(824,421)	(952,407)	(2,729,436)
Cash Paid to Suppliers	(938,358)	(575,964)	(482,413)	(1,996,735)
Other Operating Revenues	<u>388,334</u>	<u>118,808</u>	<u>28,422</u>	<u>535,564</u>
Net Cash Provided (Used) by Operating Activities	<u>1,530,159</u>	<u>264,250</u>	<u>173,172</u>	<u>1,967,581</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Grants	-	-	25,000	25,000
Proceeds from Bonds	5,363,812	-	-	5,363,812
Capital Expenditures	(18,989)	(5,000)	(96,289)	(120,278)
Principal on Mortgage Revenue Bonds	(425,000)	(140,000)	-	(565,000)
Interest Paid	<u>(983,618)</u>	<u>(136,260)</u>	<u>-</u>	<u>(1,119,878)</u>
Net Cash Used by Capital and Related Financing Activities	<u>3,936,205</u>	<u>(281,260)</u>	<u>(71,289)</u>	<u>3,583,656</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment Income	<u>204,630</u>	<u>60,253</u>	<u>-</u>	<u>264,883</u>
Increase (Decrease) in Cash and Cash Equivalents	5,670,994	43,243	101,883	5,816,120
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>2,393,613</u>	<u>2,102,243</u>	<u>448,761</u>	<u>4,944,617</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	\$ <u>8,064,607</u>	<u>2,145,486</u>	<u>550,644</u>	<u>10,760,737</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Statement of Net Assets to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Statement of Net Assets	\$ 7,408,978	1,430,038	550,644	9,389,660
Plus: Restricted Cash and Cash Equivalents	<u>655,629</u>	<u>715,448</u>	<u>-</u>	<u>1,371,077</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	\$ <u>8,064,607</u>	<u>2,145,486</u>	<u>550,644</u>	<u>10,760,737</u>

(Continued)

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005  
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 838,465	(666,189)	(215,827)	(43,551)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	718,211	877,151	353,780	1,949,142
Landfill Closure and Postclosure Costs	-	-	39,996	39,996
Changes in Assets and Liabilities:				
Accounts Receivable	(4,672)	(36,898)	(306)	(41,876)
Accounts Payable	(12,111)	73,100	(14,947)	46,042
Accrued Wages & Benefits	2,558	1,445	4,501	8,504
Accrued Compensated Absences	(12,292)	15,641	5,975	9,324
Net Cash Provided (Used) by Operating Activities	\$ <u>1,530,159</u>	<u>264,250</u>	<u>173,172</u>	<u>1,967,581</u>

See accompanying notes to the basic financial statements.

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

Statement of Fiduciary Net Assets  
Fiduciary Fund  
December 31, 2005

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	Agency Fund
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>133,300</u>
<b>LIABILITIES:</b>	
Undistributed Monies	<u>133,300</u>
<b>NET ASSETS</b>	\$ <u>-</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, 2005

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

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

**Reporting Entity**

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

The primary government consists of all funds and departments that are not legally separate. They provide various services including police and fire protection, emergency medical service, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer, electric 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. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Blue Ash, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington and Wyoming. 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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

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

**Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**Fund Accounting**

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

**Governmental Funds**

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

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

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

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

**Proprietary Funds**

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

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

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

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

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

Fiduciary Funds

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

**Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**Basis of Accounting**

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



**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenues. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**Cash and Cash Equivalents**

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes. During fiscal year 2005, investments were limited to U.S. treasury notes, money market mutual funds, repurchase agreements and non-negotiable certificates of deposit. Except for nonparticipating investments, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investments such as repurchase agreements and certificates of deposit are reported at cost. See Note 4, Deposits and Investments. For purposes of the combined statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

**Capital Assets**

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

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

The City has elected to phase-in recording its governmental-activities infrastructure as permitted by GASB and therefore only the current year additions to infrastructure are recorded in the financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**Compensated Absences**

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

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

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. At December 31, 2005, there were no accrued compensated absences that were recognized in the fund financial statements. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

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

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

**Reservations of Fund Balance**

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**Net Assets**

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

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and the centralized service center programs. Operating expenses are necessary costs incurred to provide goods or services that is 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**

The Lowe's Drive BAN Fund and the Ferguson/Purvis Land Fund within the Nonmajor Governmental Funds had deficit fund balances of \$525,000 and \$345,000, respectively, due to short term notes being recorded in the fund. Also within the Nonmajor Governmental Funds, the Police and Fire Pension Funds had deficit fund balances of \$60,451 and \$56,279, respectively, due to the fourth quarter 2005 employer portion of pension expenses due to the Ohio Police & Fire Pension Fund.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool used by all funds except the Trustee-held business-type Water and Sewer Funds, and the Fiduciary Funds. Each of the activities portion of this pool is displayed on the Statement of Net Assets as "Equity in Pooled Cash and Cash Equivalents".

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

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

Deposits

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

At year end the carrying amount of the City’s deposits was \$9,677,178 and the bank balance was \$10,115,616. Federal depository insurance covered \$505,136 of the bank balance and \$9,610,480 as uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and uncollateralized	9,610,480
Total Balance	9,610,480

Investment earnings of \$35,584 earned by other funds were credited to the General Fund as required by state statute.

**Investments**

The City’s investments at December 31, 2005 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
US Treasury/Equivalents	5,957,208	N/A	5,957,208	-	-
Total Investments	5,957,208		5,957,208	-	-

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

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

**Reconciliation of Cash, Cash Equivalents and Investments**

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

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	\$ 15,634,386	-
Investments:		
US Treasury/Equivalents	(5,957,208)	5,957,208
Per GASB Statement No. 3	\$ 9,677,178	5,957,208

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 5 – RECEIVABLES**

Receivables at December 31, 2005 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes collected in and intended to finance 2005.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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

The full tax rate of for all City operations for the year ended December 31, 2005 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 209,181,600
Public Utility Tangible Personal Property Assessed Valuation	5,953,620
Tangible Personal Property Assessed Valuation	<u>57,926,027</u>
Total	<u>\$ 273,061,247</u>

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

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 5 – RECEIVABLES** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 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 increased its municipal income tax from .8 percent to 1.0 percent effective January 1, 1991. The tax is levied 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 later case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed.

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

**Due from Other Governments**

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 376,373
Estate Tax	216,892
Homestead/Rollback	43,693
Gasoline tax	258,677
Motor vehicle license fees	53,786
Federal and State grants	<u>476,488</u>
Total	\$ <u>1,425,909</u>



**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 6 - INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfer To	Transfer From		
	General Fund	Nonmajor Governmental Funds	Total
Police Fund	\$ 1,608,000	-	1,608,000
Nonmajor Governmental Funds	<u>2,554,316</u>	<u>2,320,043</u>	<u>4,874,359</u>
Total	\$ <u>4,162,316</u>	<u>2,320,043</u>	<u>6,482,359</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.

The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

Interfund balances at December 31, 2005, consisted of \$22,394 due the Hotel Lodging Excise Tax Fund from the General Fund. The amount represents amounts collected by the General Fund for services or reimbursable expenses except approved and authorized in 2005 but not made until 2006. The amounts are expected to be paid within one year.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance 12/31/2004, as restated	Additions	Deletions	Balance 12/31/2005
<b><u>Governmental Activities:</u></b>				
Non-depreciable capital assets:				
Land	\$ 2,569,198	-	-	2,569,198
Non-depreciable capital assets	<u>2,569,198</u>	-	-	<u>2,569,198</u>
Depreciable capital assets:				
Buildings	8,866,982	-	-	8,866,982
Improvements	121,202	-	-	121,202
Equipment	2,599,168	-	-	2,599,168
Vehicles	4,407,964	60,674	-	4,468,638
Furniture & Fixtures	25,053	190,569	-	215,622
Infrastructure	<u>1,252,835</u>	-	-	<u>1,252,835</u>
Depreciable capital assets	<u>17,273,204</u>	<u>251,243</u>	-	<u>17,524,447</u>
Less: accumulated depreciation				
Buildings	(896,380)	(212,151)	-	(1,108,531)
Improvements	(52,798)	(10,349)	-	(63,147)
Equipment	(1,688,731)	(203,734)	-	(1,892,465)
Vehicles	(1,825,735)	(298,704)	-	(2,124,439)
Furniture & Fixtures	(13,965)	(3,152)	-	(17,117)
Infrastructure	<u>-</u>	<u>(25,057)</u>	-	<u>(25,057)</u>
Accumulated depreciation	<u>(4,477,609)</u>	<u>(753,147) *</u>	-	<u>(5,230,756)</u>
Depreciable capital assets, net	<u>12,795,595</u>	<u>(501,904)</u>	-	<u>12,293,691</u>
Governmental activities				
capital assets, net	\$ <u>15,364,793</u>	<u>(501,904)</u>	-	<u>14,862,889</u>

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

	Balance 12/31/2004, as restated	Additions	Deletions	Balance 12/31/2005
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,589,868	51,059	-	1,640,927
Non-depreciable capital assets	<u>1,589,868</u>	<u>51,059</u>	<u>-</u>	<u>1,640,927</u>
Depreciable capital assets:				
Buildings	19,228,581	-	-	19,228,581
Improvements	25,670,196	-	-	25,670,196
Equipment	6,784,413	25,231	-	6,809,644
Vehicles	1,258,461	43,988	-	1,302,449
Depreciable capital assets	<u>52,941,651</u>	<u>69,219</u>	<u>-</u>	<u>53,010,870</u>
Less: accumulated depreciation				
Buildings	(1,106,667)	(427,234)	-	(1,533,901)
Improvements	(5,841,024)	(1,162,537)	-	(7,003,561)
Equipment	(3,063,456)	(255,360)	-	(3,318,816)
Vehicles	(826,569)	(104,011)	-	(930,580)
Accumulated depreciation	<u>(10,837,716)</u>	<u>(1,949,142)</u>	<u>-</u>	<u>(12,786,858)</u>
Depreciable capital assets, net	<u>42,103,935</u>	<u>(1,879,923)</u>	<u>-</u>	<u>40,224,012</u>
Business-Type activities capital assets, net	<u>\$ 43,693,803</u>	<u>(1,828,864)</u>	<u>-</u>	<u>41,864,939</u>

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

General Government	\$ 163,129
Security of Persons & Property	291,785
Leisure Time Activities	42,672
Transportation	<u>255,561</u>
	<u>\$ 753,147</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

Both the Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System are reported using GASB Statement No. 27 “Accounting for Pensions by State and Local Governmental Employers”. Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Police and Fire Pension Fund or the Ohio Public Employees Retirement System. Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

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

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. The 2005 member contribution rates were 8.5% of their annual covered salary to fund pension's obligations. The employer contribution rate was 13.55% of covered payroll. The City's contributions, representing 100% of employer contributions for the periods ended December 31, 2005, 2004, and 2003 were \$736,910, \$676,620, and \$657,695, respectively.

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

The City of Eaton contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2005, 2004, and 2003 were \$446,180, \$437,304, and \$399,068, respectively, equal to 100% of the required contribution for each year.

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 9 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement 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 to be an Other Post-employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2005, local government employer units contributed at 13.55% of covered payroll. The portion of employer contributions for all employers allocated to health care was 4.00%.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

**Actuarial Review:** The following assumptions and calculations were based on OPERS' latest actuarial review, performed as of December 31, 2004.

**Funding Method:** An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

**Assets Valuation Method:** All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

**Investment Return:** The investment assumption rate for 2004 was 8.00%.

**Active Employee Total Payroll:** An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**A. Ohio Public Employees Retirement System** (Continued)

**Health Care:** Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The portion of City's contributions that were used to fund post-employment benefits was \$217,537. The amount of \$10.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2004. The Actuarial Valuation as of December 31, 2004, reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method used, at \$29.5 billion and \$18.7 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan: On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**B. Police and Firemen's Disability and Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**B. Police and Firemen’s Disability and Pension Fund** (Continued)

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2004 and in 2005. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for Police and 10,528 for Firefighters. The City’s annual contribution for 2005 that were used to fund postemployment benefits was \$91,690 for Police and \$69,516 for Firefighters. OP&F’s total health care expenses for the year ending December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of members contributions of \$55,665,341.

**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, 2005, the estimated total absences payable of the City was \$760,644.

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

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 11 – LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations of the City during 2005 were as follows:

	Amount Outstanding 12/31/2004	Additions	Retirements	Amount Outstanding 12/31/2005	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<b><u>General Obligation Bonds</u></b>					
2.0% to 5.8% - 2003					
Municipal Building Refunding	\$ 2,865,000	-	130,000	2,735,000	130,000
2.0% to 5.8% - 2003					
Fire Department	3,795,000	-	170,000	3,625,000	175,000
Compensated Absences	543,851	537,342	543,851	537,342	53,734
Police and Fire Pension	109,538	-	1,810	107,728	1,887
Total Governmental Activities	<u>\$ 7,313,389</u>	<u>537,342</u>	<u>845,661</u>	<u>7,005,070</u>	<u>360,621</u>
<b><u>Business-Type Activities:</u></b>					
<b><u>Mortgage Revenue Bonds</u></b>					
3.3% to 5.3% - 1996 Sewer	\$ 2,715,000	-	140,000	2,575,000	145,000
4.35% to 5.25% - 1998 Waterworks	9,900,000	-	100,000	9,800,000	105,000
3.9% to 6.0% - 1996 Waterworks	5,480,000	-	200,000	5,280,000	5,280,000
3.9% to 6.0% - 2005 Waterworks	-	5,525,000	125,000	5,400,000	80,000
Accrued Bond Premium	-	54,368	-	54,368	-
Less: Deferred Amounts					
Deferred Amount on Refunding	(134,716)	33,833	-	(100,883)	-
Unamortized Bond Issue Costs	(443,990)	59,095	215,556	(600,451)	-
Total General Obligation and Mortgage Revenue Bonds	17,516,294	5,672,296	780,556	22,408,034	5,610,000
Estimated Liability for Landfill Closure & Postclosure Care	1,486,082	39,996	-	1,526,078	-
Compensated Absences	213,978	223,302	213,978	223,302	111,651
Total Business-Type Activities	<u>19,216,354</u>	<u>5,935,594</u>	<u>994,534</u>	<u>24,157,414</u>	<u>5,721,651</u>
	<u>\$ 26,529,743</u>	<u>6,472,936</u>	<u>1,840,195</u>	<u>31,162,484</u>	<u>6,082,272</u>

During fiscal year 2003, the City issued General Obligation Bonds in the aggregate total of \$7,020,000. The issue consisted of two obligations; \$4,000,000 Fire Department Bonds and \$3,020,000 Municipal Building Refunding Bonds. The bonds are dated May 1, 2003 and mature August 1, 2021 and carrying an interest rate of 2.0% to 5.8%. The Municipal Building Refunding Bonds refunded the 1992 Municipal Building bonds in the amount of \$2,975,000. The 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.



**CITY OF WILMINGTON, OHIO  
CLINTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

Mortgage revenue bonds are for waterworks improvement and sewer bond refunding, and are paid out of the respective Water and Sewer funds. During 2005, the City issued \$5,525,000 of mortgage revenue refunding bonds for the purpose of paying costs of advance refunding the City's First Mortgage Waterworks System Revenue Bonds, with an outstanding balance of \$5,070,000 at December 31, 2005. The refunding will reduce total debt service payments over the next sixteen years by \$622,056. The bonds are dated February 15, 2005 and mature December 31, 2021 carrying an interest rate of 3.9% to 6.0%. Property and revenue of the City's utility system have been pledged to repay these debts.

Police and Fire Pension obligations are being met from non-voted property taxes.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

	Governmental Activities			
	General Obligation Bonds		Police and Fire Pension	
	Principal	Interest	Principal	Interest
2006	305,000	251,285	1,887	4,557
2007	315,000	245,185	1,968	4,476
2008	315,000	237,940	2,053	4,392
2009	325,000	229,593	2,141	4,304
2010	335,000	220,005	2,233	4,212
2011-2015	1,870,000	912,128	12,689	19,535
2016-2020	2,360,000	417,923	15,658	16,566
2021-2025	535,000	22,738	19,349	12,874
2026-2031	-	-	23,844	8,379
2030-2035	-	-	25,905	2,806
	\$ 6,360,000	2,536,797	107,727	82,101

	Business-Type Activities	
	Mortgage Revenue Bonds	
	Principal	Interest
2006	540,000	1,098,336
2007	760,000	1,105,453
2008	795,000	1,075,963
2009	825,000	879,657
2010	865,000	1,004,396
2011-2015	4,985,000	4,365,284
2016-2020	5,810,000	3,016,591
2021-2025	4,440,000	1,638,784
2026-2031	4,035,000	437,719
	\$ 23,055,000	14,622,183

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

The Enterprise Funds' related bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition.

**NOTE 12 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2005 follows:

	Amount Outstanding <u>12/31/2004</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2005</u>
<b><u>Governmental Activities:</u></b>				
2.20% - 2004 Park Land Acquisition BAN	345,000	-	345,000	-
1.53% - 2004 Lowes Road Construction BAN	<u>725,000</u>	<u>-</u>	<u>200,000</u>	<u>525,000</u>
 Total Governmental Activities	 \$ <u>725,000</u>	 <u>-</u>	 <u>200,000</u>	 <u>525,000</u>

On October 3, 2004, the City issued a \$725,000 1.53% Bond Anticipation Note for the construction of Lowes Road maturing on October 2, 2005. As of December 31, 2005 the amount outstanding is \$525,000.

On October 1, 2004, the City issued a \$345,000 2.20% Bond Anticipation Note for paying a portion of the cost of acquiring park land maturing on May 2, 2005. During 2005, the balance was fully retired.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2005, the pool has twenty 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 twentymember board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2005 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	5.22%	Montgomery	2.87%
Bellbrook	1.93%	Piqua	6.22%
Blue Ash	5.88%	Sidney	7.23%
Centerville	5.51%	Springdale	3.95%
Englewood	2.87%	Tipp City	2.52%
Indian Hill	2.92%	Troy	6.94%
Kettering	13.05%	Vandalia	4.54%
Madeira	2.21%	West Carrollton	2.85%
Mason	8.77%	Wilmington	4.41%
Miamisburg	7.50%	Wyoming	2.61%
Subtotal	<u>55.86%</u>	Subtotal	<u>44.14%</u>
		Total	<u>100.00%</u>

The 2005 pool contribution from the City of Wilmington was \$160,340 representing 4.41% of the total collected from all members for that year's operating costs and projected loss reserves.

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

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

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

General Liability	\$ 7,000,000	per occurrence
Automobile	7,000,000	per occurrence
Police Professional Liability	7,000,000	per occurrence
Employment Practices & Public Officials Liability	7,000,000	Aggregate
Crime / Employee Theft	1,000,000	Aggregate
Property	1,000,000,000	Aggregate
Flood (Zone specific)	25,000,000	per occurrence
Earthquake	25,000,000	per occurrence
Boiler & Machinery	100,000,000	per occurrence

**CITY OF WILMINGTON, OHIO**  
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Notes to the Basic Financial Statements  
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**NOTE 13 – RISK MANAGEMENT** (Continued)

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence. The SIR for Boiler and Machinery is \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2005, because an actuarial opinion issued as of that date reported actual MVRMA loss reserves of \$8,011,297 an amount in excess of the recommended net reserve of \$4,558,196.

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

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

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

**NOTE 14 – CONTINGENT LIABILITIES**

Litigation

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

**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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 15 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST** (Continued)

The City is required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2005. The \$1,526,078 reported as landfill closure and post-closure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of 90.6% of the estimated capacity of the landfill. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$1,684,413. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility provide that 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. The estimated remaining landfill life in years is 3.8 years.

**NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS:**

For 2005, the City adopted the provisions of GASB Statement No. 40, Deposits and Investment Risk Disclosures. This statement modifies and expands existing disclosure requirements for deposits and investments. These additional disclosures can be found in Note 4.

The City also adopted the provisions of GASB Technical Bulletin 2004-002, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers. This technical bulletin requires governments to recognize pension expenditures/expenses in the period in which the payment relates even if the payment is not due until the next fiscal period. The implementation of the technical bulletin had the following effect on beginning fund balance of the City:

	Nonmajor Governmental Funds
Fund Balance, 12/31/2004	\$ 1,465,245
Implementation of GASB TB 2004-002	(131,525)
Fund Balance, 1/1/2005	\$ 1,333,720

During the year, the City performed an evaluation of the useful lives of its capital assets. Based upon this evaluation, new useful lives were assigned to various assets. This resulted in accumulated depreciation being recomputed and a restatement of accumulated depreciation at December 31, 2004 was recorded. The effects of the restatement on net assets at December 31, 2004 were as follows:

	Governmental Activities	Business-Type Activities			Total
	Water	Sewer	Waste		
Net Assets, December 31, 2004	\$ 13,738,464	9,676,862	10,059,866	2,681,162	22,417,890
Capital Asset Adjustment	(140,800)	-	-	140,714	140,714
Accumulated Depreciation Adjustment	529,090	1,932,640	4,818,410	150,300	6,901,350
Net Assets, January 1, 2005, as restated	\$ 14,126,754	11,609,502	14,878,276	2,972,176	29,459,954

**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, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 4,260,703	4,877,441	4,897,899	20,458
Special Assessments	62,314	71,633	71,633	-
Licenses and Permits	71,022	80,336	81,643	1,307
Intergovernmental	984,351	1,131,563	1,131,563	-
Charges for Services	1,100,242	1,111,493	1,264,785	153,292
Investment Income	116,306	129,748	133,700	3,952
Fees, Fines and Forfeitures	492,964	565,998	566,688	690
Other Revenue	537,649	586,178	618,055	31,877
<b>Total Revenues</b>	<u>7,625,550</u>	<u>8,554,390</u>	<u>8,765,966</u>	<u>211,576</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	3,767,939	4,142,272	3,853,763	288,509
Security of Persons & Property	454,433	459,109	394,135	64,974
<b>Total Expenditures</b>	<u>4,222,372</u>	<u>4,601,381</u>	<u>4,247,898</u>	<u>353,483</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>3,403,178</u>	<u>3,953,009</u>	<u>4,518,068</u>	<u>565,059</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers-Out	<u>(4,092,406)</u>	<u>(4,790,139)</u>	<u>(4,162,316)</u>	<u>627,823</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(4,092,406)</u>	<u>(4,790,139)</u>	<u>(4,162,316)</u>	<u>627,823</u>
Net Change in Fund Balance	(689,228)	(837,130)	355,752	1,192,882
Fund Balance, Beginning of Year	2,240,175	2,240,175	2,240,175	-
Prior Year Encumbrances Appropriated	<u>50,209</u>	<u>50,209</u>	<u>50,209</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,601,156</u>	<u>1,453,254</u>	<u>2,646,136</u>	<u>1,192,882</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, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 335,804	313,212	313,225	13
Intergovernmental	2,083	1,943	1,943	-
Charges for Services	8,934	7,803	8,333	530
Fees, Fines and Forfeitures	29,458	27,429	27,477	48
Other Revenue	<u>22,537</u>	<u>20,936</u>	<u>21,022</u>	<u>86</u>
 Total Revenues	 <u>398,815</u>	 <u>371,323</u>	 <u>372,000</u>	 <u>677</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons & Property	2,073,724	1,973,512	1,914,699	58,813
Capital Outlay	<u>49,000</u>	<u>54,732</u>	<u>44,055</u>	<u>10,677</u>
 Total Expenditures	 <u>2,122,724</u>	 <u>2,028,244</u>	 <u>1,958,754</u>	 <u>69,490</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>(1,723,909)</u>	 <u>(1,656,921)</u>	 <u>(1,586,754)</u>	 <u>70,167</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers-Ir	<u>1,723,912</u>	<u>1,608,000</u>	<u>1,608,000</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>1,723,912</u>	 <u>1,608,000</u>	 <u>1,608,000</u>	 <u>-</u>
 Net Change in Fund Balance	 3	 (48,921)	 21,246	 70,167
 Fund Balance, Beginning of Year	 27,479	 27,479	 27,479	 -
 Prior Year Encumbrances Appropriated	 <u>27,445</u>	 <u>27,445</u>	 <u>27,445</u>	 <u>-</u>
 Fund Balances, End of Year	 <u>\$ 54,927</u>	 <u>6,003</u>	 <u>76,170</u>	 <u>70,167</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, 2005

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Budgets and Budgetary Accounting

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

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

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

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

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2005

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Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual or earned (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2005

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

	<u>Changes in Fund Balances</u>	
	<u>General Fund</u>	<u>Police Fund</u>
GAAP Basis	\$ 69,116	20,543
Revenue Accruals	235,854	634
Expenditure Accruals	<u>50,782</u>	<u>69</u>
Budget Basis	\$ <u>355,752</u>	<u>21,246</u>

**CITY OF WILMINGTON, OHIO**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2005**

<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-03-201-1	14.228	\$ 46,350
Community Development Block Grant	A-F-04-201-1	14.228	11,250
			<u>57,600</u>
Community Housing Improvement Program	A-C-03-201-1	14.228	\$ 132,926
Community Housing Improvement Program	A-C-03-201-2	14.228	154,156
			<u>287,082</u>
Small Cities Emergency Shelter Grant	A-L-04-201-1	14.231	46,654
Total U.S. Department of Housing and Urban Development			<u>391,336</u>
<u>U.S. Department of Justice:</u>			
Bulletproof Vest Partnership Program	1121-0235	16.607	1,943
Total U.S. Department of Justice			<u>1,943</u>
<u>U.S. Department of Transportation</u>			
<i>(Passed through Ohio Department of Transportation)</i>			
Urban Mass Transit Operating Grant - 2005	RPT-4014-023-042	20.509	35,070
Urban Mass Transit Capital Grant - 2005	RPT-4014-023-041	20.509	386,467
Elderly and Handicapped Grant	EHTA-0014-004-041	20.509	75,294
Total U.S. Department Transportation			<u>496,831</u>
Total Federal Awards			\$ <u>890,110</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 subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2005, the gross amount of loans outstanding under this program were \$337,947.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards includes the federal grant activity of the City of Wilmington, Ohio and 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.



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio ("City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

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

This report is intended for the information and use of the Mayor and Members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
July 6, 2006



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

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

Compliance

We have audited the compliance of City of Wilmington, Ohio ("City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Wilmington, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

### Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
July 6, 2006



**CITY OF WILMINGTON OHIO**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2005

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
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**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**CITY OF WILMINGTON OHIO**

Schedule of Prior Audit Findings

Year Ended December 31, 2005

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.



**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**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  
DECEMBER 12, 2006**