



**Auditor of State
Betty Montgomery**

**CITY OF WILMINGTON
CLINTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities.....	11
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes In Fund Balances.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities.....	15
<i>Proprietary Funds:</i>	
Statement of Net Assets.....	16
Statement of Revenues, Expenses and Changes Fund Net Assets.....	17
Statement of Cash Flows.....	18
<i>Fiduciary Fund:</i>	
Statement of Fiduciary Net Assets.....	20
Notes to the Basic Financial Statements.....	21
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget And Actual (Budget Basis):	
General Fund.....	46
Police Fund.....	47
Notes to the Required Supplementary Information.....	48
Schedule of Federal Awards Expenditures.....	51

CITY OF WILMINGTON
CLINTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Notes to the Schedule of Federal Awards Expenditures	52
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	55
Schedule of Findings.....	57



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis and budgetary comparisons for the General and Police Funds are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 3, 2004

CITY OF WILMINGTON, OHIO

CLINTON COUNTY

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2003. 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 2003 are as follows:

- The Police Fund showed a positive net change in fund balance of \$43,671, a 196.39% increase.
- Proprietary fund operations posted operating losses of \$412,014, leading to an decrease in net assets of \$1,420,343.
- 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 \$2,473,990.

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 2003?" 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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 need 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 12. Fund financial statements, beginning on page 12, 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 13 and 15.

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Fiduciary Funds - The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. 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 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 21.

THE CITY AS A WHOLE

This is the first year the City has produced government-wide financial statements using the full accrual basis of accounting and economic resources measurement focus. Therefore, a comprehensive comparison to prior years is not possible. When information is available in future years, comparisons will be presented.

However, it should be noted that the change in net assets, as indicated on the Statement of Activities, shows a decrease for the year of \$1,249,641. The following table presents a condensed presentation of net assets.

Table 1
Net Assets, December 31, 2003

	Governmental Activities	Business- Type Activities	Total
Assets:			
Current and Other Assets	\$ 10,196,514	5,594,781	15,791,295
Capital Assets	15,291,618	38,359,744	53,651,362
Total Assets	25,488,132	43,954,525	69,442,657
Liabilities:			
Current and Other Liabilities	2,721,069	294,223	3,015,292
Long-term Liabilities:			
Due Within One Year	1,248,175	496,165	1,744,340
Due in More than than One Year	7,277,498	19,235,681	26,513,179
Total Liabilities	11,246,742	20,026,069	31,272,811
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,441,618	18,844,693	26,286,311
Restricted	393,799	1,294,518	1,688,317
Unrestricted	6,405,973	3,789,245	10,195,218
Total Net Assets	\$ 14,241,390	23,928,456	38,169,846

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2003, the City's net assets were \$38.2 million. Of this amount, \$26.3 million was invested in capital assets and \$1.7 million was subject to external restrictions for its use. The remaining amount, \$10.2 million, was unrestricted and available for future use as directed by City Council and the City administration.

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

Table 2
Change in Net Assets, December 31, 2003

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,917,499	5,939,373	7,856,872
Operating Grants and Contributions	816,796	-	816,796
Capital Grants and Contributions	168,814	-	168,814
General Revenues:			
Property Taxes	2,050,965	-	2,050,965
Municipal Income Taxes	3,995,685	-	3,995,685
Hotel Excise Taxes	66,240	-	66,240
Grants and Contributions not Restricted	2,687,319	-	2,687,319
Investment Income	56,836	67,464	124,300
Other Revenue	<u>424,862</u>	<u>75,042</u>	<u>499,904</u>
Total Revenue	<u>12,185,016</u>	<u>6,081,879</u>	<u>18,266,895</u>
Expenses:			
General Government	2,885,457	-	2,885,457
Security of Persons & Property	5,364,308	-	5,364,308
Public Health and Welfare Services	147,437	-	147,437
Leisure Time Activities	560,528	-	560,528
Transportation	2,726,234	-	2,726,234
Water	-	3,769,990	3,769,990
Sewer	-	2,026,937	2,026,937
Waste	-	1,705,295	1,705,295
Interest Expense	<u>330,350</u>	<u>-</u>	<u>330,350</u>
Total Expenses	<u>12,014,314</u>	<u>7,502,222</u>	<u>19,516,536</u>
Increase (Decrease) in Net Assets	170,702	(1,420,343)	(1,249,641)
Net Assets, Beginning of Year	<u>14,070,688</u>	<u>25,348,799</u>	<u>39,419,487</u>
Net Assets, End of Year	<u>\$ 14,241,390</u>	<u>23,928,456</u>	<u>38,169,846</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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 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 \$1,097,780 in property tax revenues, we see that approximately 29% of the net expense of \$3,785,377 is paid by tax revenues. General Government, the next highest function, includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$2,705,389. The third function, Transportation, covers the roads and streets of the City, has a total cost to taxpayers of \$554,997.

Business-Type Activities

Overall, the City's business-type activities generated \$5.9 million in operating revenues, which fell short of covering the cost of doing business by \$1.4 million. The largest cause of the shortfall is due to interest expense for business-type debt in the amount of \$1,075,793. Fees for usage are increased as necessary to cover the costs of these essential services.

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 CITY'S FUNDS

The balance sheet for the City's major governmental funds is reflected on pages 12 – 13. 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 \$5.2 million, of which \$4.3 million is unreserved. Revenues and expenditures are reflected on pages 14 – 15. The net change in fund balance was \$2,235,719.

The General Fund balance declined by \$243,979, caused by a decrease in revenue of \$423,133. The majority of this decrease was due to a decline in the intergovernmental revenue and investment income.

The Police Fund showed a balance increase of \$43,671, due to transfers from the general fund.

Governmental fund expenditures showed an increase over 2002 of \$1,712,877, or 11.7%. Of this figure, \$2,762,652, was related to debt service payments. Expenditures within the functions of the City were fairly consistent with prior years.

CITY OF WILMINGTON, OHIO

CLINTON COUNTY

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Unaudited

The proprietary funds showed a net operating loss of \$412,014. 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 finding capital improvements, however, capital items are charged to enterprise funds. Only the waste fund reported positive cash flows for the year ended December 31, 2003. User fees will 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 increased by \$482,027 during the year to allow for an increase in property tax and income tax revenues. Across the all other revenue line items within the General Fund, revenues came in at close to what was anticipated to be received.

Budgeted amounts for expenditures were increased by amendments to the original budget to account for capital purchases and general operating expenditures along with a reduction for transfers. These increases amounted to approximately 13.6% of the original budget. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Capital Assets

	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,709,998	1,323,886	4,033,884
Infrastructure	1,136,847	-	1,136,847
Buildings	6,704,526	22,583,602	29,288,128
Improvements	121,202	25,670,196	25,791,398
Equipment	2,507,014	6,838,502	9,345,516
Vehicles	4,418,466	1,042,033	5,460,499
Office Furniture and Fixtures	25,053	-	25,053
Construction in Progress	<u>2,145,991</u>	<u>-</u>	<u>2,145,991</u>
Totals	<u>\$ 19,769,097</u>	<u>57,458,219</u>	<u>77,227,316</u>

**CITY OF WILMINGTON, OHIO
CLINTON COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Capital assets, net, in governmental activities increased during 2003 as a result of the completion of Lowes Road and the purchase of land. Capital assets in the business-type activities decreased during 2003 as a result of limited funds and depreciation expense.

Infrastructure

During this first year for reporting under the new GASB 34 guidelines, the City recorded the Lowes Road addition and Farquhar Avenue reconstruction as infrastructure for the current year within the governmental activities.

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, 2003, the City had total bonded debt in the amount of \$25,615,000. Of this amount, \$7,100,000 is general obligation debt backed by the full faith and credit of the City, with the remaining \$18,515,000 being mortgage revenue bonds for waterworks improvements and sewer bond refunding. 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 \$740,000. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$111,273. The amount due within on year is \$1,735. Principal payments for the 2003 year totaled \$3,380,000.

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, 2003 was \$15,106,316. 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
CLINTON COUNTY
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 5,173,423	4,032,703	9,206,126
Receivables (net of allowances for uncollectibles):			
Taxes	3,111,657	-	3,111,657
Accounts	115,824	259,554	375,378
Special Assessments	144,288	8,006	152,294
Loans Receivable	411,475	-	411,475
Accrued Interest	80	-	80
Due from Other Governments	1,239,767	-	1,239,767
Restricted Assets:			
Cash and Cash Equivalents	-	1,294,518	1,294,518
Capital Assets:			
Capital Assets not subject to depreciation:			
Land	2,709,998	1,323,886	4,033,884
Construction in Progress	2,145,991	-	2,145,991
Capital Assets, net of accumulated depreciation	<u>10,435,629</u>	<u>37,035,858</u>	<u>47,471,487</u>
Total Assets	<u>\$ 25,488,132</u>	<u>43,954,525</u>	<u>69,442,657</u>
LIABILITIES:			
Accounts Payable	\$ 135,379	53,014	188,393
Accrued Wages and Benefits	483,334	151,025	634,359
Deferred Revenue	1,993,987	-	1,993,987
Accrued Interest Payable	108,369	90,184	198,553
Noncurrent Liabilities:			
Due Within One Year	1,248,175	496,165	1,744,340
Due In More Than One Year	<u>7,277,498</u>	<u>19,235,681</u>	<u>26,513,179</u>
Total Liabilities	<u>11,246,742</u>	<u>20,026,069</u>	<u>31,272,811</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	7,441,618	18,844,693	26,286,311
Restricted for:			
Security of Persons & Property	276,515	-	276,515
Parks and Recreation	82,284	-	82,284
Utility Services	-	1,294,518	1,294,518
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>6,405,973</u>	<u>3,789,245</u>	<u>10,195,218</u>
Total Net Assets	<u>14,241,390</u>	<u>23,928,456</u>	<u>38,169,846</u>
Total Liabilities and Net Assets	<u>\$ 25,488,132</u>	<u>43,954,525</u>	<u>69,442,657</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2003

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,885,457	142,070	37,998	-	(2,705,389)		(2,705,389)
Security of Persons & Property	5,364,308	1,569,751	-	9,180	(3,785,377)		(3,785,377)
Public Health and Welfare Services	147,437	-	23,800	-	(123,637)		(123,637)
Leisure Time Activities	560,528	5,531	-	-	(554,997)		(554,997)
Transportation	2,726,234	200,147	754,998	159,634	(1,611,455)		(1,611,455)
Interest Expense	330,350	-	-	-	(330,350)		(330,350)
Total Governmental Activities	<u>12,014,314</u>	<u>1,917,499</u>	<u>816,796</u>	<u>168,814</u>	<u>(9,111,205)</u>		<u>(9,111,205)</u>
Business-Type Activities:							
Water	3,769,990	2,895,187	-	-		(874,803)	(874,803)
Sewer	2,026,937	1,428,715	-	-		(598,222)	(598,222)
Waste	1,705,295	1,615,471	-	-		(89,824)	(89,824)
Total Business-Type Activities	<u>7,502,222</u>	<u>5,939,373</u>	<u>-</u>	<u>-</u>		<u>(1,562,849)</u>	<u>(1,562,849)</u>
Total	\$ <u>19,516,536</u>	<u>7,856,872</u>	<u>816,796</u>	<u>168,814</u>	<u>(9,111,205)</u>	<u>(1,562,849)</u>	<u>(10,674,054)</u>
General Revenues:							
Taxes:							
Property Taxes Levied for:							
General Purposes					544,345	-	544,345
Security of Persons & Property					1,097,780	-	1,097,780
Street Lighting					116,147	-	116,147
Leisure Time Activities					292,693	-	292,693
Municipal Income					3,995,685	-	3,995,685
Hotel Excise					66,240	-	66,240
Grants and Contributions not Restricted to Specific Programs					2,687,319	-	2,687,319
Investment Income					56,836	67,464	124,300
Other Revenue					424,862	75,042	499,904
					<u>9,281,907</u>	<u>142,506</u>	<u>9,424,413</u>
						<u>170,702</u>	<u>(1,420,343)</u>
							<u>(1,249,641)</u>
Net Assets, Beginning of Year, as restated					<u>14,070,688</u>	<u>25,348,799</u>	<u>39,419,487</u>
Net Assets, End of Year					\$ <u>14,241,390</u>	<u>23,928,456</u>	<u>38,169,846</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO
CLINTON COUNTY**

Balance Sheet
Governmental Funds
December 31, 2003

	General Fund	Police Fund	Bond Retirement Fund	Nonmajor Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,611,698	120,077	-	2,441,648
Receivables (net of allowance for uncollectibles):				
Taxes	1,620,733	294,575	-	1,196,349
Accounts	84,471	205	-	31,148
Special Assessments	-	-	-	144,288
Loans Receivable	-	-	-	411,475
Accrued Interest	80	-	-	-
Due from Other Governments	484,221	12,068	-	743,478
Due from Other Funds	-	-	-	14,810
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>4,801,203</u>	<u>426,925</u>	<u> </u>	<u>4,983,196</u>
LIABILITIES:				
Accounts Payable	\$ 17,838	12,620	-	104,921
Accrued Wages and Benefits	143,095	50,678	-	166,463
Due to Other Funds	14,810	-	-	-
Deferred Revenue	1,253,037	297,719	-	2,010,777
Bond Anticipation Notes Payable	-	-	-	900,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,428,780</u>	<u>361,017</u>	<u> </u>	<u>3,182,161</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	173,970	17,478	-	141,642
Loans Receivable	-	-	-	411,475
Permanent Fund	-	-	-	35,000
Unreserved, Undesignated:				
General Fund	3,198,453	-	-	-
Special Revenue Funds	-	48,430	-	1,203,259
Debt Service Funds	-	-	-	-
Capital Projects Fund	-	-	-	4,129
Permanent Fund	-	-	-	5,530
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,372,423</u>	<u>65,908</u>	<u> </u>	<u>1,801,035</u>
Total Liabilities and Fund Balances	\$ <u>4,801,203</u>	<u>426,925</u>	<u> </u>	<u>4,983,196</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, 2003

Total Governmental Funds		
5,173,423	Total Governmental Fund Balances	\$ 5,239,366
3,111,657	Amounts reported for governmental	
115,824	activities in the Statement of Net Assets	
144,288	are different because:	
411,475		
80		
1,239,767	Capital assets used in governmental	
14,810	activities are not financial resources and	
10,211,324	therefore are not reported in the funds.	15,291,618
135,379	Other long-term assets are not available to	
360,236	pay for current period expenditures and	
14,810	therefore are deferred in the funds.	1,567,546
3,561,533		
900,000	Long-term liabilities, including Issue II loans	
4,971,958	payable, are not due and payable in the current	
	period and therefore are not reported in the funds:	
333,090	Police and Fire Pension Obligations	(234,371)
411,475	General Obligation Bonds Payable	(6,950,000)
35,000	Accrued Interest on Long-Term Debt	(108,369)
	Compensated Absences	(564,400)
3,198,453		
1,251,689	Net Assets of Governmental Activities	\$ <u>14,241,390</u>
-		
4,129	See accompanying notes to the basic financial statements.	
5,530		
5,239,366		
10,211,324		

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General Fund	Police Fund	Bond Retirement Fund	Nonmajor Governmental Funds
REVENUES:				
Taxes	\$ 4,508,004	278,459	-	1,238,198
Special Assessments	65,129	-	-	-
Intergovernmental Revenue	713,502	23,158	-	2,569,946
Charges for Services	662,816	-	-	204,171
Licenses and Permits	70,470	-	-	-
Fees, Fines and Forfeitures	718,130	10,305	-	172,351
Investment Income	26,532	-	-	30,304
Other Revenue	<u>194,678</u>	<u>7,867</u>	<u>-</u>	<u>138,888</u>
 Total Revenues	 <u>6,959,261</u>	 <u>319,789</u>	 <u>-</u>	 <u>4,353,858</u>
EXPENDITURES:				
Current:				
General Government	3,301,406	-	-	37,960
Security of Persons & Property	475,863	1,811,866	-	2,752,960
Public Health and Welfare Services	-	-	-	147,437
Leisure Time Activities	-	-	-	520,649
Transportation	-	-	-	2,418,774
Capital Outlay	168,589	64,252	-	1,418,388
Debt Service:				
Principal	-	-	2,975,000	71,664
Interest	<u>13,192</u>	<u>-</u>	<u>89,130</u>	<u>119,659</u>
 Total Expenditures	 <u>3,959,050</u>	 <u>1,876,118</u>	 <u>3,064,130</u>	 <u>7,487,491</u>
 Excess (Deficiency) of Revenues Over/ (Under) Expenditures	 <u>3,000,211</u>	 <u>(1,556,329)</u>	 <u>(3,064,130)</u>	 <u>(3,133,633)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Bonds	-	-	7,020,000	-
Other Financing Sources	-	-	83,429	-
Transfers In	3,028,442	1,600,000	4,432,258	6,773,923
Other Financing Uses	-	-	(29,750)	(84,079)
Transfers Out	<u>(6,272,632)</u>	<u>-</u>	<u>(8,441,807)</u>	<u>(1,120,184)</u>
 Total Other Financing Sources (Uses)	 <u>(3,244,190)</u>	 <u>1,600,000</u>	 <u>3,064,130</u>	 <u>5,569,660</u>
 Net Change in Fund Balances	 (243,979)	 43,671	 -	 2,436,027
 Fund Balance, Beginning of Year, as restated	 <u>3,616,402</u>	 <u>22,237</u>	 <u>-</u>	 <u>(634,992)</u>
 Fund Balance, End of Year	 \$ <u><u>3,372,423</u></u>	 <u><u>65,908</u></u>	 <u><u>-</u></u>	 <u><u>1,801,035</u></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, 2003

Total Governmental Funds		
6,024,661	Total Net Change in Fund Balances - Governmental Funds	\$ 2,235,719
65,129		
3,306,606	Amounts reported for governmental activities in the statement of activities are different because:	
866,987		
70,470		
900,786	Governmental funds report capital outlays as expenditures.	
56,836	However, in the statement of activities, the cost of those	
341,433	exceeded capital outlay in the current period.	
<u>11,632,908</u>	Capital Asset Additions	2,437,489
	Depreciation	(678,161)
3,339,366		
5,040,689	Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(7,020,000)
147,437		
520,649		
2,418,774	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds.	468,679
1,651,229		
3,046,664		
221,981	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.	3,046,664
<u>16,386,789</u>		
(4,753,881)	Some expenses in 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:	
7,020,000	Compensated Absences	(201,315)
83,429	Accrued Wages and Benefits	(10,004)
15,834,623	Accrued Interest Payable	<u>(108,369)</u>
(113,829)		
(15,834,623)		
<u>6,989,600</u>	Change in Net Assets of Governmental Activities	\$ <u>170,702</u>
2,235,719	See accompanying notes to the basic financial statements.	
3,003,647		
<u>5,239,366</u>		

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Assets
Proprietary Funds
December 31, 2003

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,659,245	1,795,269	578,189	4,032,703
Receivables (net of allowance for uncollectibles):				
Accounts	129,784	61,997	67,773	259,554
Special Assessments	4,229	3,777	-	8,006
Restricted Assets:				
Cash and Cash Equivalents	<u>603,223</u>	<u>691,295</u>	<u>-</u>	<u>1,294,518</u>
Total Current Assets	<u>2,396,481</u>	<u>2,552,338</u>	<u>645,962</u>	<u>5,594,781</u>
Capital Assets:				
Land	742,972	179,314	401,600	1,323,886
Capital Assets, net of accumulated depreciation	<u>22,971,254</u>	<u>10,955,564</u>	<u>3,109,040</u>	<u>37,035,858</u>
Total Capital Assets	<u>23,714,226</u>	<u>11,134,878</u>	<u>3,510,640</u>	<u>38,359,744</u>
Total Assets	<u>\$ 26,110,707</u>	<u>13,687,216</u>	<u>4,156,602</u>	<u>43,954,525</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 17,225	10,888	24,901	53,014
Accrued Wages and Benefits	52,532	42,674	55,819	151,025
Accrued Interest Payable	<u>36,552</u>	<u>53,632</u>	<u>-</u>	<u>90,184</u>
Total Current Liabilities	<u>106,309</u>	<u>107,194</u>	<u>80,720</u>	<u>294,223</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	78,580	79,144	59,071	216,795
Estimated Liability for Landfill Closure & Postclosure Care	-	-	1,472,671	1,472,671
General Obligation Bonds Payable	150,000	-	-	150,000
Mortgage Revenue Bonds Payable	15,665,000	2,850,000	-	18,515,000
Deferred Amount on Refunding	-	(168,671)	-	(168,671)
Unamortized Bond Issue Costs	<u>(404,477)</u>	<u>(49,472)</u>	<u>-</u>	<u>(453,949)</u>
Total Noncurrent Liabilities	<u>15,489,103</u>	<u>2,711,001</u>	<u>1,531,742</u>	<u>19,731,846</u>
Total Liabilities	<u>15,595,412</u>	<u>2,818,195</u>	<u>1,612,462</u>	<u>20,026,069</u>
NET ASSETS:				
Invested in capital assets, net of related debt	8,303,703	8,503,021	2,037,969	18,844,693
Unrestricted	<u>2,211,592</u>	<u>2,366,000</u>	<u>506,171</u>	<u>5,083,763</u>
Total Net Assets	<u>10,515,295</u>	<u>10,869,021</u>	<u>2,544,140</u>	<u>23,928,456</u>
Total Liabilities and Net Assets	<u>\$ 26,110,707</u>	<u>13,687,216</u>	<u>4,156,602</u>	<u>43,954,525</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds

For the Year Ended December 31, 2003

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,895,187	1,428,715	1,615,471	5,939,373
Other Revenues	<u>65,151</u>	<u>8,001</u>	<u>1,890</u>	<u>75,042</u>
Total Operating Revenues	<u>2,960,338</u>	<u>1,436,716</u>	<u>1,617,361</u>	<u>6,014,415</u>
OPERATING EXPENSES:				
Personnel Services	897,588	733,934	882,166	2,513,688
Contractual Services	862,383	331,317	223,529	1,417,229
Materials and Supplies	177,526	214,868	177,644	570,038
Depreciation	950,138	557,928	112,446	1,620,512
Closure and Postclosure Care	<u>-</u>	<u>-</u>	<u>304,962</u>	<u>304,962</u>
Total Operating Expenses	<u>2,887,635</u>	<u>1,838,047</u>	<u>1,700,747</u>	<u>6,426,429</u>
Operating Income (Loss)	<u>72,703</u>	<u>(401,331)</u>	<u>(83,386)</u>	<u>(412,014)</u>
NON-OPERATING REVENUES (EXPENSES);				
Investment Income	25,297	42,167	-	67,464
Interest and Fiscal Charges	<u>(882,355)</u>	<u>(188,890)</u>	<u>(4,548)</u>	<u>(1,075,793)</u>
Total Non-Operating Revenues (Expenses)	<u>(857,058)</u>	<u>(146,723)</u>	<u>(4,548)</u>	<u>(1,008,329)</u>
Change in Net Assets	(784,355)	(548,054)	(87,934)	(1,420,343)
Net Assets, Beginning of Year, as restated	<u>11,299,650</u>	<u>11,417,075</u>	<u>2,632,074</u>	<u>25,348,799</u>
Net Assets, End of Year	<u>\$ 10,515,295</u>	<u>10,869,021</u>	<u>2,544,140</u>	<u>23,928,456</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, 2003

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 2,888,035	1,428,199	1,612,530	5,928,764
Cash Paid for Employees Salaries and Benefits	(874,462)	(696,584)	(846,407)	(2,417,453)
Cash Paid to Suppliers	(1,023,901)	(538,840)	(378,423)	(1,941,164)
Other Operating Revenues	<u>65,151</u>	<u>8,001</u>	<u>1,890</u>	<u>75,042</u>
Net Cash Provided by Operating Activities	<u>1,054,823</u>	<u>200,776</u>	<u>389,590</u>	<u>1,645,189</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Expenditures	(107,855)	(75,388)	-	(183,243)
Principal on Bond Anticipation Note	-	-	(350,000)	(350,000)
Principal on General Obligation Bonds	(30,000)	-	-	(30,000)
Principal on Mortgage Revenue Bonds	(180,000)	(125,000)	-	(305,000)
Interest Paid	<u>(863,820)</u>	<u>(147,770)</u>	<u>(6,492)</u>	<u>(1,018,082)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,181,675)</u>	<u>(348,158)</u>	<u>(356,492)</u>	<u>(1,886,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	<u>25,297</u>	<u>42,167</u>	<u>-</u>	<u>67,464</u>
Net Cash Used by Investing Activities	<u>25,297</u>	<u>42,167</u>	<u>-</u>	<u>67,464</u>
Increase (Decrease) in Cash and Cash Equivalents	(101,555)	(105,215)	33,098	(173,672)
Cash and Cash Equivalents, Beginning of Year	<u>2,364,023</u>	<u>2,591,779</u>	<u>545,091</u>	<u>5,500,893</u>
Cash and Cash Equivalents, End of Year	\$ <u>2,262,468</u>	<u>2,486,564</u>	<u>578,189</u>	<u>5,327,221</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Combined Balance Sheet to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Balance Sheet	\$ 1,659,245	1,795,269	578,189	4,032,703
Plus: Restricted Cash and Cash Equivalents	<u>603,223</u>	<u>691,295</u>	<u>-</u>	<u>1,294,518</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	\$ <u>2,262,468</u>	<u>2,486,564</u>	<u>578,189</u>	<u>5,327,221</u>

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 72,703	(401,331)	(83,386)	(412,014)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	950,138	557,928	112,446	1,620,512
Landfill Closure and Postclosure Costs	-	-	304,962	304,962
Changes in Assets and Liabilities:				
Accounts Receivable	(5,637)	1,049	(2,941)	(7,529)
Special Assessment Receivable	(1,515)	(1,565)	-	(3,080)
Accounts Payable	16,008	7,345	22,750	46,103
Accrued Wages & Benefits	1,912	4,950	12,141	19,003
Accrued Compensated Absences	21,214	32,400	23,618	77,232
Net Cash Provided by Operating Activities	\$ <u>1,054,823</u>	<u>200,776</u>	<u>389,590</u>	<u>1,645,189</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2003

	<u>Agency Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ <u>56,247</u>
LIABILITIES:	
Undistributed Monies	<u>56,247</u>
NET ASSETS	\$ <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, 2003

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 14.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds 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, 2003

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.

Bond Retirement Fund – The Bond Retirement Fund is used to account for the repayment of principal, interest and related costs of general long-term obligations, specifically the general obligation bonds and notes 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 fess 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, 2003

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, 2003

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, 2003, but which were levied to finance 2004 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, 2003

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 2003, 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 5, Equity in Pooled Cash 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 and the internal service funds being combined with governmental-activities capital assets on the 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	10-45 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-45 years
Vehicles	5-30 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, 2003

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, 2003, 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, 2003

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 after nonoperating revenues/expenses in proprietary funds. 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 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund.

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the new reporting model.

Restatement of Fund Balances

The City reclassified certain funds due to the implementation of GASB 34. Certain trust funds that provide support to City activities that were previously reported as non-expendable and expendable trust funds. Trust funds that are permanent in nature and provide support to City activities were reclassified as permanent funds and the expendable trust fund was reclassified as a special revenue fund. GASB Interpretation No. 6 redefined how liabilities should be recognized in governmental funds that resulted in certain liabilities to be reported as long-term instead as an actual fund liability.

These restatements, as well as corrections of errors in the capital assets previously reported, had the following effect on fund balance of major and nonmajor funds of the City. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Police</u>	<u>Bond Retirement</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balance, December 31, 2002	\$ 3,616,402	22,237	-	(675,003)	2,963,636
Reclassification of Funds	-	-	-	40,011	40,011
Adjusted Fund Balance, June 30 2002	<u>\$ 3,616,402</u>	<u>22,237</u>	<u>-</u>	<u>(634,992)</u>	<u>3,003,647</u>
Capital Assets, net					13,532,290
Long-Term Liabilities					(113,094)
Long-Term Compensated Absences					(363,085)
Long-Term (Deferred) Assets					1,098,867
Police & Fire Pension Payable					(112,937)
General Obligation Bonds Payable					<u>(2,975,000)</u>
Governmental Activities Net Assets, December 31, 2002					<u>\$ 14,070,688</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

During 2003, the City also corrected differences in the capital assets reported by the enterprise funds at December 31, 2002 due to a change in the capitalization threshold. These adjustments are shown in the restatement to business-type activities net assets.

	Water	Sewer	Waste	Total
Fund Equity, December 31, 2002	\$ 10,568,864	8,171,591	2,324,466	21,064,921
Capital Asset Adjustments	730,786	3,245,484	307,608	4,283,878
Adjusted Fund Equity, December 31, 2002	\$ 11,299,650	11,417,075	2,632,074	25,348,799

NOTE 4 – ACCOUNTABILITY

The Lowe's Drive BAN Fund and the CDBG FY 2001 Fund within the Special Revenue Fund Type had deficit fund balances of \$777,123 and \$2,972 due to short term notes and accounts payables being recorded in the funds.

NOTE 5 – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds except the Trustee-held Water and Sewer Funds, and Agency Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The investment and deposit of City monies are governed by the provisions of the Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The provisions also permit the City to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities the face value of which is at least 105 percent of the total value of public monies on deposit at the institution.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require that security for public deposits and investments are maintained in the name of the City.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the City’s deposits was \$10,030,125 and the bank balance was \$10,557,434. Of the bank balance, \$600,000 was covered by FDIC and the remaining amount was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3 “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” requires that the City’s investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City’s name.

	Category 2	Carrying Value	Fair Value
US Treasury/Equivalents	\$ -	526,766	526,766

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 10,556,891	-
Investments:		
US Treasury/Equivalents	(526,766)	526,766
GASB Statement No. 3	\$ 10,030,125	526,766

Cash on Hand

The City’s petty cash funds totaled \$1,200 on December 31, 2003.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTES 6 – RECEIVABLES

Receivables at December 31, 2003 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 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. 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, 2003 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 174,524,960
Public Utility Tangible Personal Property Assessed Valuation	6,696,460
Tangible Personal Property Assessed Valuation	<u>65,515,423</u>
Total	<u>\$ 246,736,843</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, 2003

NOTES 6 – 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 represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, 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 2003 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	\$ 463,735
Homestead/Rollback	77,402
Gasoline tax	184,309
Motor vehicle license fees	36,247
Federal and State grants	<u>478,074</u>
Total	\$ <u>1,239,767</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	Restated Balance <u>12/31/2002</u>	Additions	Deletions	Balance 12/31/2003
<u>Governmental Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 2,168,937	541,061	-	2,709,998
Construction in Progress	1,777,762	1,505,076	(1,136,847)	2,145,991
Non-depreciable capital assets	<u>3,946,699</u>	<u>2,046,137</u>	<u>(1,136,847)</u>	<u>4,855,989</u>
Depreciable capital assets:				
Buildings	6,668,176	36,350	-	6,704,526
Improvements	121,202	-	-	121,202
Equipment	2,375,595	131,419	-	2,507,014
Vehicles	4,200,872	217,594	-	4,418,466
Furniture & Fixtures	19,064	5,989	-	25,053
Infrastructure	-	1,136,847	-	1,136,847
Depreciable capital assets	<u>13,384,909</u>	<u>1,528,199</u>	<u>-</u>	<u>14,913,108</u>
Less: accumulated depreciation				
Buildings	(612,188)	(154,941)	-	(767,129)
Improvements	(32,015)	(12,236)	-	(44,251)
Equipment	(1,485,158)	(220,165)	-	(1,705,323)
Vehicles	(1,662,920)	(278,164)	-	(1,941,084)
Furniture & Fixtures	(7,037)	(3,181)	-	(10,218)
Infrastructure	-	(9,474)	-	(9,474)
Accumulated depreciation	<u>(3,799,318)</u>	<u>(678,161) *</u>	<u>-</u>	<u>(4,477,479)</u>
Depreciable capital assets, net	<u>9,585,591</u>	<u>850,038</u>	<u>-</u>	<u>10,435,629</u>
Governmental activities capital assets, net	<u>\$ 13,532,290</u>	<u>2,896,175</u>	<u>(1,136,847)</u>	<u>15,291,618</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 – CAPITAL ASSETS (Continued)

	Restated Balance <u>12/31/2002</u>	Additions	Deletions	Balance <u>12/31/2003</u>
<u>Business-Type Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 1,323,886	-	-	1,323,886
Non-depreciable capital assets	<u>1,323,886</u>	-	-	<u>1,323,886</u>
Depreciable capital assets:				
Buildings	22,583,602	-	-	22,583,602
Improvements	25,670,196	-	-	25,670,196
Equipment	6,676,476	162,026	-	6,838,502
Vehicles	1,020,816	21,217	-	1,042,033
Depreciable capital assets	<u>55,951,090</u>	<u>183,243</u>	-	<u>56,134,333</u>
Less: accumulated depreciation				
Buildings	(4,575,590)	(642,021)	-	(5,217,611)
Improvements	(8,769,976)	(609,301)	-	(9,379,277)
Equipment	(3,522,535)	(255,657)	-	(3,778,192)
Vehicles	(609,862)	(113,533)	-	(723,395)
Accumulated depreciation	<u>(17,477,963)</u>	<u>(1,620,512)</u>	-	<u>(19,098,475)</u>
Depreciable capital assets, net	<u>38,473,127</u>	<u>(1,437,269)</u>	-	<u>37,035,858</u>
Business-Type activities capital assets, net	<u>\$ 39,797,013</u>	<u>(1,437,269)</u>	-	<u>38,359,744</u>

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

General Government	\$ 158,560
Security of Persons & Property	209,531
Leisure Time Activities	36,396
Transportation	<u>273,674</u>
	<u>\$ 678,161</u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Both the Ohio Police and Fire Pension Fund and the 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 (OP&F) or the Ohio Public Employees Retirement System (OPERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System

OPERS administers three separate pension plans. 1) The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan. 2) The Member-Directed Plan (MD) - 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 contribution plus any investment earnings thereon. 3) The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan Benefit. Member contributions, 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 Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2003 member contribution rates are 8.5%. The 2003 employer contribution rate was 13.55% of covered payroll. The City's contributions, representing 100% of employer contribution's for the periods ended December 31, 2003, 2002, and 2001 were \$657,695, \$622,639, and \$598,771, respectively.

B. Police and Firemen's Disability and Pension Fund

The City of Wilmington 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 pension benefits, annual cost-of-living adjustments, and death benefits to plan member 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, 2003, 2002, and 2001 were \$399,068, \$365,098, and \$359,103, respectively, equal to the required contribution for each year.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

OPERS administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - 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, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 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. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employer units the rate was 13.55% of covered payroll and 5.00% was used to fund health care for the year.

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

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2002.

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 annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return: The investment assumption rate for 2002 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%.

Health Care: Health care costs were assumed to increase 4.00% annually.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The portion of City's contributions that were used to fund postemployment benefits was \$242,689. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

B. Police and Firemen's Disability and Pension Fund

The 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 eighteen whether or not the child is attending school or under the age of twenty-two, 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.

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 2002 and in 2003. 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 have monthly health care contributions.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for Police and 10,396 for Firefighters. The City's annual contribution for 2003 that were used to fund post-employment benefits was \$78,372 for Police and \$65,136 for Firefighters. OP&F's total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of members contributions of \$12,623,875.

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, 2003, the estimated total absences payable of the City was \$781,195.

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

NOTE 11 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2003 were as follows:

	Amount Outstanding <u>12/31/2002</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2003</u>	Amounts Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
<u>General Obligation Bonds</u>					
5.10% to 6.05% - 1992					
Municipal Building	\$ 2,975,000	-	2,975,000	-	-
2.0% to 5.8% - 2003					
Municipal Building Refunding	-	3,020,000	30,000	2,990,000	125,000
2.0% to 5.8% - 2003					
Fire Department	-	4,000,000	40,000	3,960,000	165,000
Compensated Absences	363,085	564,400	363,085	564,400	56,440
Police and Fire Pension	112,937	-	1,664	111,273	1,735
Total Governmental Activities	<u>3,451,022</u>	<u>7,584,400</u>	<u>3,409,749</u>	<u>7,625,673</u>	<u>348,175</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

	Amount Outstanding <u>12/31/2002</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2003</u>	Amounts Due Within <u>One Year</u>
<u>Business-Type Activities:</u>					
<u>General Obligation Bonds</u>					
9.5% - 1983 Waterworks	180,000	-	30,000	150,000	30,000
<u>Mortgage Revenue Bonds</u>					
3.3% to 5.3% - 1996 Sewer	2,975,000	-	125,000	2,850,000	135,000
4.35% to 5.25% - 1998 Waterworks	9,995,000	-	-	9,995,000	95,000
3.9% to 6.0% - 1996 Waterworks	5,850,000	-	180,000	5,670,000	190,000
Less: Deferred Amounts					
Deferred Amount on Refunding	(202,078)	33,407	-	(168,671)	(33,407)
Unamortized Bond Issue Costs	(482,775)	28,826	-	(453,949)	(28,826)
Total General Obligation and Mortgage Revenue Bonds	18,315,147	62,233	335,000	18,042,380	387,767
Estimated Liability for Landfill Closure & Postclosure Care	1,167,709	304,962	-	1,472,671	-
Compensated Absences	139,563	216,795	139,563	216,795	108,398
Total Business-Type Activities	<u>19,622,419</u>	<u>583,990</u>	<u>474,563</u>	<u>19,731,846</u>	<u>496,165</u>
	<u>\$ 23,073,441</u>	<u>8,168,390</u>	<u>3,884,312</u>	<u>27,357,519</u>	<u>844,340</u>

During the year, the City issued General Obligation Bonds in the aggregate total of \$7,020,000. The issue consisted 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.

The City also has general obligation bonds issued waterworks improvement that are reported within the water fund. It is the City's intent, however, to continue to use revenue from the Water Fund to pay its debt.

Mortgage revenue bonds are for waterworks improvement and sewer bond refunding. 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

Governmental Activities					
		General Obligation Bonds		Police and Fire Pension	
		Principal	Interest	Principal	Interest
2004	\$	290,000	263,085	1,735	4,710
2005		300,000	257,285	1,810	4,635
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
2009-2013		1,740,000	1,040,730	11,665	20,558
2014-2018		2,150,000	631,023	14,395	17,829
2019-2023		1,535,000	130,632	17,790	14,433
2024-2029		-	-	21,921	10,303
2030-2034		-	-	27,051	5,173
2035		-	-	8,998	379
		\$ 6,950,000	3,057,165	111,273	91,445

Business-Type Activities					
		General Obligation Bonds		Mortgage Revenue Bonds	
		Principal	Interest	Principal	Interest
2004	\$	30,000	13,688	420,000	978,364
2005		30,000	10,950	440,000	958,167
2006		30,000	8,212	460,000	936,626
2007		30,000	5,475	480,000	913,650
2008		30,000	2,738	505,000	888,660
2009-2013		-	-	2,965,000	3,997,241
2014-2018		-	-	3,900,000	3,058,024
2019-2023		-	-	3,585,000	2,007,408
2024-2029		-	-	5,760,000	952,718
		\$ 150,000	41,063	18,515,000	14,690,858

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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City’s long-term debt obligations. As of December 31, 2003, the amount of defeased debt outstanding amounted to \$160,000.

NOTE 12 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2003 follows:

	Amount Outstanding <u>12/31/2002</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2003</u>
<u>Governmental Activities:</u>				
1.85% - 2002 Fire Department BAN	\$ 4,000,000	-	4,000,000	-
1.84% - 2002 Lowes Road Construction BAN	1,100,000	-	1,100,000	-
1.53% - 2003 Lowes Road Construction BAN	-	900,000	-	900,000
1.75% - 2003 Municipal Building BAN	-	<u>3,015,250</u>	<u>3,015,250</u>	-
Total Governmental Activities	<u>5,100,000</u>	<u>3,915,250</u>	<u>8,115,250</u>	<u>900,000</u>
<u>Business-Type Activities:</u>				
1.86% - 2002 Landfill Improvement BAN	350,000	-	350,000	-
	<u>\$ 5,450,000</u>	<u>3,915,250</u>	<u>8,465,250</u>	<u>900,000</u>

On January 31, 2003, the City issued a \$3,015,250 1.75% Bond Anticipation Note for the purpose of refunding the 1992 Municipal Building bonds. This note was paid in full on May 1, 2003 with the 2003 Municipal Building Refunding Bonds.

On October 3, 2003, the City issued a \$900,000 1.53% Bond Anticipation Note for the construction of Lowes Road maturing on October 2, 2004.

NOTE 13 – RISK MANAGEMENT

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 City pays an annual premium to MVRMA, Inc. for this coverage. The agreement provides that the MVRMA, Inc. will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. Pool coverage is \$2,501 to \$250,000. Excess insurance coverage is \$250,001 to the limits stated below.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 13 – RISK MANAGEMENT (Continued)

General Liability	\$12,000,000 per occurrence
Automobile Liability	\$12,000,000 per occurrence
Public Officials Liability	\$1,000,000 per occurrence (\$11,000,000 aggregate per city)
Boiler and Machinery	\$100,000,000 blanket limit
Property	\$100,000,000 blanket limit
Flood and Earthquake	\$25,000,000 annual aggregate

There were no significant reductions in insurance coverage during the year in any category of risk. Settled claims have not exceeded insurance coverage in any of the past three years.

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

The City is a member of Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), which is a joint insurance pool. As of December 31, 2003 the pool has sixteen members. The jointly governed organization covers all property, crime, liability, boiler and machinery, and public officials liability insurance. It is intended to provide broad based coverage up to the limits stated in Note 14 with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA, Inc. is a corporation governed by a sixteen member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA, Inc. is subject to the approval of the board.

As of December 31, 2002 the participants cities and their percentage shares based on the pool contribution factors are: Beavercreek 8.55%, Blue Ash 7.24%, Indian Hill 2.78%, Kettering 16.90%, Maderia 1.61%, Mason 5.41%, Miamisburg 11.70%, Montgomery 3.41%, Sidney 9.26%, Springdale 5.74%, Tipp City 2.20%, Troy 7.97%, Vandalia 5.14%, West Carrollton 4.74%, Wilmington 4.93% and Wyoming 2.43%.

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of MVRMA, Inc. and to create adequate reserves for claims and unallocated loss adjustment expenses.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the board of trustees may require supplemental contributions. Supplementary contributions may be assessed whenever claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred. During 2003 there were no special assessments paid.

The following is a summary of the financial statements presented in conformity with generally accepted accounting principles as of and for the year ended December 31, 2002 (the latest information available).

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 14 – JOINTLY GOVERNED ORGANIZATION (Continued)

Assets	<u>\$ 6,644,241</u>
Liabilities	4,214,645
Fund Equity	<u>2,429,596</u>
Total Liabilities and Fund Equity	<u>\$ 6,644,241</u>

NOTE 15 – CONTINGENT LIABILITIES

Litigation

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

NOTE 16 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST

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

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

The City is required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2003. The \$1,472,671 reported as landfill closure and post-closure care liability at December 31, 2003, represents the cumulative amount reported to date based on the use of 88.87% of the estimated capacity of the landfill. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$1,606,383. 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 5.3 years.

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 4,143,768	4,512,184	4,551,612	39,428
Special Assessments	64,305	65,129	65,129	-
Licenses and Permits	57,500	69,226	70,470	1,244
Intergovernmental	806,700	776,774	806,049	29,275
Charges for Services	441,388	656,411	662,816	6,405
Investment Income	152,000	76,915	78,239	1,324
Fees, Fines and Forfeitures	703,000	671,372	671,512	140
Other Revenue	166,600	189,277	178,777	(10,500)
Total Revenues	<u>6,535,261</u>	<u>7,017,288</u>	<u>7,084,604</u>	<u>67,316</u>
EXPENDITURES:				
Current:				
General Government	3,353,612	3,983,111	3,535,173	447,938
Security of Persons & Property	455,306	462,791	480,911	(18,120)
Capital Outlay	95,000	610,927	168,589	442,338
Total Expenditures	<u>3,903,918</u>	<u>5,056,829</u>	<u>4,184,673</u>	<u>872,156</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>2,631,343</u>	<u>1,960,459</u>	<u>2,899,931</u>	<u>939,472</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of Notes	-	-	10,500	10,500
Operating Transfers-Out	(3,695,426)	(3,574,674)	(3,267,882)	306,792
Total Other Financing Sources (Uses)	<u>(3,695,426)</u>	<u>(3,574,674)</u>	<u>(3,257,382)</u>	<u>317,292</u>
Net Change in Fund Balance	(1,064,083)	(1,614,215)	(357,451)	1,256,764
Fund Balance, Beginning of Year	2,572,536	2,572,536	2,572,536	-
Prior Year Encumbrances Appropriated	258,905	258,905	258,905	-
Fund Balance, End of Year	<u>\$ 1,767,358</u>	<u>1,217,226</u>	<u>2,473,990</u>	<u>1,256,764</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 270,700	267,329	269,535	2,206
Intergovernmental	12,905	23,158	23,158	-
Fees, Fines and Forfeitures	9,000	10,491	10,491	-
Other Revenue	-	7,867	7,867	-
	<u>292,605</u>	<u>308,845</u>	<u>311,051</u>	<u>2,206</u>
EXPENDITURES:				
Current:				
Security of Persons & Property	1,831,014	1,884,080	1,823,510	60,570
Capital Outlay	84,000	72,019	71,199	820
	<u>1,915,014</u>	<u>1,956,099</u>	<u>1,894,709</u>	<u>61,390</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(1,622,409)</u>	<u>(1,647,254)</u>	<u>(1,583,658)</u>	<u>63,596</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers-In	<u>1,629,910</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>-</u>
Net Change in Fund Balance	7,501	(47,254)	16,342	63,596
Fund Balance, Beginning of Year	37,608	37,608	37,608	-
Prior Year Encumbrances Appropriated	<u>36,028</u>	<u>36,028</u>	<u>36,028</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>81,137</u></u>	<u><u>26,382</u></u>	<u><u>89,978</u></u>	<u><u>63,596</u></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, 2003

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 2003.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2003

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, 2003

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>Change in Fund Balances</u>	
	<u>General Fund</u>	<u>Police Fund</u>
GAAP Basis	\$ (243,979)	43,671
Revenue Accruals	125,343	(8,738)
Expenditure Accruals	(225,623)	(18,591)
Note Proceeds	10,500	-
Transfers In	(3,028,442)	-
Transfers Out	<u>3,004,750</u>	<u>-</u>
Budget Basis	<u>\$ (357,451)</u>	<u>16,342</u>

Accountability and compliance

During the current year, the City had a budgetary violation in which expenditures plus encumbrances exceeded appropriations on the Security of Persons & Property line item within the General Fund, which is the legal level of control.

**CITY OF WILMINGTON
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant	A-F-01-201-1	14.228	\$ 27,010
Community Development Block Grant	A-F-02-201-1	14.228	10,950
Total Community Development Block Grant			<u>37,960</u>
Small Cities Emergency Shelter Grant	AL-02-201-1	14.231	37,756
Total Small Cities Emergency Shelter Grant			<u>37,756</u>
Total U.S. Department of Housing and Urban Development			<u>75,716</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
<i>Passed Through Ohio Department of Natural Resources:</i>			
Outdoor, Recreation, Acquisition, Development and Planning Grant	none	15.916	11,400
Total U.S. Department of Interior			<u>11,400</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Grant	none	16.607	4,664
Total U.S. Department of Justice			<u>4,664</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Urban Mass Transit Capital Grant - 2001	RPT-0014-020-013	20.509	2,668
Urban Mass Transit Operating Grant - 2003	RPT-4014-021-031	20.509	284,634
Urban Mass Transit Capital Grant - 2003	RPT-4014-021-032	20.509	137,944
Total U.S. Department of Transportation			<u>425,246</u>
Total			<u>\$ 517,026</u>

**CITY OF WILMINGTON
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The Government 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 Federal 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 accompanying Schedule of Federal Awards Expenditures (the Schedule). 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.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program were \$411,475. Delinquent amounts due are \$20,174.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

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, Clinton County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 3, 2004, wherein we noted that the City implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement 34. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Wilmington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated November 3, 2004.

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 opinions on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 3, 2004.

This report is intended for the information and use of the City's elected officials, management, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 3, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of Wilmington, Clinton County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The City of Wilmington's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable its major federal program is the responsibility of the City of Wilmington's management. Our responsibility is to express an opinion on the City of Wilmington'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City of Wilmington'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 of Wilmington's compliance with those requirements.

In our opinion, the City of Wilmington complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

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

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 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 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 City's elected officials, management, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 3, 2004

**CITY OF WILMINGTON
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Mass Transit CFDA # 20.509
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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 14, 2004**